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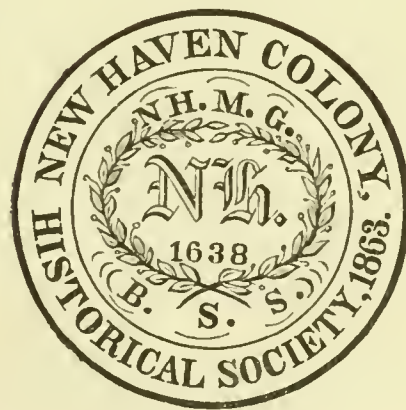
OF THE

NEW HAVEN COLONY

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HISTORICAL SOCIETY.

VOL. I.



NEW HAVEN:

PRINTED FOR THE SOCIETY.

1865.

# CONTENTS.



ORGANIZATION OF THE SOCIETY, . . . . .	i
OFFICERS, . . . . .	xi
LIFE AND ANNUAL MEMBERS, . . . . .	xiii
THE NEW HAVEN COLONY, BY HENRY WHITE, . . . . .	1
CIVIL GOVERNMENT IN NEW HAVEN COLONY, BY LEONARD BACON, . . . . .	11
HISTORY OF THE CUTLER LOT, BY HENRY WHITE, . . . . .	29
HISTORY OF TRINITY CHURCH, NEW HAVEN, BY FREDERICK CROSWELL, . . . . .	47
HISTORY OF LONG WHARF IN NEW HAVEN, BY THOMAS R. TROWBRIDGE, . . . . .	83
THE PARSONAGE OF "THE BLUE MEETING HOUSE," BY E. EDWARDS BEARDSLEY, . . . . .	105
THE GOVERNOR GILBERT LOT, BY ELISHA L. CLEAVELAND, . . . . .	121
NOTICE OF THE EARLY POMOLOGISTS IN NEW HAVEN, BY NATHANIEL A. BACON, . . . . .	139
CORRESPONDENCE BETWEEN PRESIDENT JEFFERSON AND ABRAHAM BISHOP, . . . . .	143
BISHOP BERKELEY'S GIFTS TO YALE COLLEGE, BY DANIEL C. GILMAN, . . . . .	147
HISTORICAL ACCOUNT OF CONNECTICUT CURRENCY, &c., BY HENRY BRONSON, . . . . .	171

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A  
HISTORICAL ACCOUNT  
OF  
CONNECTICUT CURRENCY, CONTINENTAL MONEY,  
AND THE  
FINANCES OF THE REVOLUTION.

BY HENRY BRONSON, M. D.

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**Read November 30th, 1863, and afterward.**

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Entered, according to Act of Congress, April twenty-first, 1865,

BY HENRY BRONSON,

In the Clerk's Office of the District Court of Connecticut.

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R. W. H. Aug 11/17

## PREFACE.

I undertook to write a history of the currency of Connecticut. As introductory to my main design, it seemed necessary to take a general view of the early currency of New England, and particularly of Massachusetts. When I reached the period of the Revolution, my subject became so interwoven with the continental paper money policy, and the financial measures of the war, that I was tempted to enlarge my plan, and for the sake of completeness, to embrace these latter topics. That the historical truths presented might be duly appreciated, I have occasionally paused to set forth some of the principles of financial science—to explain briefly the nature and uses of money, and to show the bearing of the facts stated. This has been done for the benefit of those unaccustomed to inquiries of this kind. History has no significance except so far as it establishes or illustrates useful principles, and furnishes rules for the guidance of human conduct.

My task has been a difficult one. The public must judge of the manner in which the work has been accomplished. At the least, I flatter myself that I have gathered materials which will be useful to some one who shall undertake to write a worthy and durable history of this State.

I have received favors from those connected with the Library of Yale College, and from the officers having in charge the state archives in Hartford, which I desire here to acknowledge. I am particularly indebted to Mr. Charles J. Hoadley, State Librarian, who has given me the benefit of his familiarity with the colonial and state records, and put into my hands copious extracts which he had made for his own use. At my request, he has looked over these sheets as they were passing through the press, and suggested such improvements and corrections as occurred to him.



# CONTENTS.



## CHAPTER I.

Principles Stated. Early Currency of New England.....	1
---	---

## CHAPTER II.

The Massachusetts Coinage of 1652, and the Changes which it wrought. First Bills of Credit.....	13
---	----

## CHAPTER III.

Connecticut Bills of Credit—Old Tenor Emissions.....	29
--	----

## CHAPTER IV.

New Tenor Emissions. Great Depreciation.....	56
--	----

## CHAPTER V.

Downfall of Paper Money. The Specie Standard resumed...	66
---	----

## CHAPTER VI.

Paper Money of the Revolution. Connecticut and Continental Emissions.....	84
---	----

## CHAPTER VII.

Methods adopted by Congress to supply the Treasury, and repair the Finances.....	103
--	-----

## CHAPTER VIII.

- More Paper Money, and the final Overthrow of the System.  
 How Connecticut Supported the War..... 120

## CHAPTER IX.

- The Confederation of the States gives no Financial Strength.  
 Bank of North America ..... 138

## CHAPTER X.

- Was Independence won by Paper Money? Errors Exposed... 146

## CHAPTER XI.

- Connecticut Finances at the Close of the War..... 157

## CHAPTER XII.

- Cost of the War. Financial Embarrassments. The Articles  
 of Confederation need Mending..... 162

## CHAPTER XIII.

- First United States Coinage. Connecticut Coppers..... 175

## CHAPTER XIV.

- The Constitution and Paper Money. The Public Debt  
 Funded: Banks Chartered..... 182

# CONNECTICUT CURRENCY, ETC.

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## CHAPTER I.

### PRINCIPLES STATED—EARLY CURRENCY OF NEW ENGLAND.

TRADE, or the exchange of commodities and labor, is necessary to the well being of every community. No matter how destitute of the arts of civilization a people may be, they find it convenient to establish commercial relations, each one exchanging, so far as he can, that which he needs less for something he wants more. The love of trade is indeed almost an instinct, and boys just entering upon existence find pleasure or advantage in exchanging toys. Older boys swap jack-knives and jackets, the sharper sort, it is said, with a profit on both sides!

To facilitate the operations of trade, even rude people have devised some medium of exchange—have adopted some commodity or thing as a standard or measure of value. With this standard commodity, which is the product of labor, and is supposed, on that account, to have a definite and certain value, all other commodities are compared—measured as with a yard stick. Into this, if it is a good medium, they may be converted with little loss. This conversion once made, the trader is in possession of a commodity or thing which may be exchanged, at pleasure, for any other which is offered for sale. Thus a man who has gathered a bushel of nuts, by giving which he would obtain something else, first converts the nuts into the accepted



medium, and then with this purchases that which he desires, being careful in each transaction, to get as much in labor's worth as he gives. This middle commodity, (which differs not from other commodities except in the singular use that is made of it,) which acts as the medium in the exchange of products, and as a measure of value, is called *currency* or *money*.

Different nations, and the same nation in different ages, have used different articles as currency. And the progress of a people, in its civil and political life, may be, to a certain extent, measured by the perfection it has attained in its circulating medium, and its adaptation to the wants of commerce. Sometimes a people is better than its currency, sometimes worse; but notwithstanding this there is a very interesting relation between the two. A community must suffer in its material interests when a good currency is exchanged for a poor one. And when men thus suffer, they must deteriorate—go backward—in all that distinguishes civilized life.

In the case of barter, the reason why one commodity exchanges for another, a coat for a violin, for instance, or a pair of shoes for a hat, is to be found in the fact that the things exchanged represent an equal amount of labor. They are commercial equivalents. And the principle is the same when one of the commodities has been adopted as a currency. It is still a product of labor, and the cost of production governs its exchangeable value. If it requires as much labor to raise and bring to market a bushel of wheat, as it does to produce and bring to the same market an ounce of silver, one will exchange for the other. In other words, a coin weighing one ounce will be the price of a bushel of wheat. In truth every exchange of commodities is but the exchange of equivalents; and it matters not though one of these be desired as a means of obtaining something else, and is called money.

These remarks apply to those articles which may be increased to an equal extent by equal additions of labor, but do not apply, except with qualification, to monopolies. Nor do I forget that profit is a constituent of price in all those things which require capital for their production. Strictly speaking, to the wages of labor must be added the profits of capital before we

can know the natural exchangeable value of a commodity. But as a general rule, profit is only a small item in the cost of products, and to simplify the matter, I have left it out of the account. I shall hereafter adopt this course, unless some error of principle is involved in the omission.

The early colonists of this country, coming from England, would naturally use the English currency. Values were reckoned and accounts kept in pounds, shillings and pence. Whatever substance was employed, as a medium of exchange and substitute for coin, its intrinsic value in English money was ascertained before it could itself be used as a standard and measure of value.

In the time of William the Conqueror, a pound of silver, Troy weight, of standard fineness, was coined into twenty shillings, so that a pound in English money contained a pound of the metal. But by successive reductions of the weight of the coins, and the assiduous practice of king-craft, a pound of silver came at last to be represented by sixty-two shillings. In other words, the shilling which in 1066 weighed two hundred and eighty-eight grains, standard silver, had so shrunk in 1600 that it weighed scarcely ninety-three grains. During the period which followed and down to the present time, with a slight exception, the standard of weight and fineness has not been changed.

At the time of the settlement of New England by the English, there was a currency in use among the aboriginal population called wampum, wampum-peage, or peage. The primitive wampum consisted of small spiral shells, a quarter or an eighth of an inch in length, which were perforated in their longest diameter and arranged upon strings, or woven into various forms. By the disposition of different colors, curious and highly ornamental articles were produced, which were worn as belts and bracelets.

Roger Williams, writing of the Indian currency, thus describes it, (I quote from Felt's Massachusetts Currency):—

Their own [money] is of two sorts, one white, which they make of the stem or stock of the periwinkle, when all the shell is broken off; and of this sort, six of their small beads, which they make with holes to string their bracelets, are current with the English for a penny. The second is black, inclining to blue,

which is made of the shell of a fish, which some English call *hens-poquahock*; and of this sort, three make an English penny. One fathom of this, their stringed money, is worth five shillings.

The different colonial governments recognized the shell currency, so called, in their dealings with the Indians, and adopted it, to a certain extent, among themselves. From time to time, as the supply varied, they endeavored to fix its exchangeable value. In September, 1640, the General Court of Connecticut repealed its "late order consarnceing wampum at sixe a penny," and established the former rate of "fower a penny." Five years later, it was ordered in the New Haven colony, "that Indian wampom shall passe, the white at 6 a penny, and the blacke at 3 a penny. And some men being at present loath to receive the blacke, it is ordered that in any payment vnder 20s. halfe white and halfe blacke shall be accounted current pay, only if a question arise about the goodness of the wampō, whether white or blacke, Mr. Goodyeare, if the parties repaire to him, is intreated to judge therein."\* But at length, the English demand for wampum brought upon the market a counterfeit or inferior article. The Indians, according to the record, "abused the English," and supplied them with dyed peage, or peage "made of stone or other vnalowed mater." They also offered it in an unfinished state, or untastefully arranged. The Commissioners of the United Colonies† took action upon the subject, and recommended to the separate governments to attempt a reform. In accordance with the suggestion, the General Court of Connecticut, in 1648, ordered "that no peage, white or black, bee paid or received, but what is strung, and in some measure strung sutably, and not small and great vncomely and disorderly mixt, as formerly it hath beene." The Massachusetts Colony passed a similar order.

Wampum was employed by the colonists for many years as a part of their currency. As late as 1704, (and probably later,) the string beads were in common use for small change.

A new settlement, far removed from the old civilizations and the centers of wealth, is almost necessarily poor—poor in

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\* N. H. Col. Records, I. 211.

† Hazard, II. 124



labor, as compared with the work to be done, and poor in capital, which is the support of labor. Houses are to be built, lands to be cleared and subdued, and the soil to be cultivated ; while a sufficient stock of clothing, husbandry and other tools, provisions, and certain domestic animals for draft or burden, must be supplied. However well the original settlers might have been provided with these things, in the commencement, they were sure to be, in a little time, comparatively destitute. In such a country as New England, with a soil that requires a large outlay to give it productive energy, it would be impossible for a single generation to furnish the surplus labor and capital required for an advanced civilization. Consequently, the early colonists were, for a long time, behind hand in their worldly affairs, and generally poor. The utmost they could do was to lay the foundations for a better order of things. They toiled laboriously and husbanded their resources, for the benefit of their children. So far as they could, they economized capital (which is but *hoarded* labor) in all its applications. They exchanged their surplus products with each other in the way of barter, and contrived in this way to save (as they supposed) the expense of a circulating medium. To remove some of the inconveniences of barter and to facilitate trade, they selected certain of the products of their own industry, and endowed these, by legal enactment, with some of the properties of money. The articles chosen for this purpose, and which they judged best fitted for the office, were beaver skins, wheat, rye, oats, Indian corn, peas, flax, wool, beef, pork, live stock, bullets, codfish, &c. The prices of these were fixed, from time to time, by the general courts ; and colonial, town and society taxes, as well as private debts, were paid in them. These prices were considerably higher than the money prices, perhaps one-half. Store-houses were maintained in which the tax-gatherers deposited the public property till it should be wanted, or could be sold or exchanged. The colonial government of Connecticut continued to receive taxes in farm products, till bills of credit were emitted, and occasionally, in way of experiment, afterwards. The towns continued the practice much longer, and the ecclesiastical socie-

ties longer still. The highway tax was, in the country towns, collected in labor when the writer was a young man; and he has himself, for himself, "worked out" the tax—as boys are wont to work. The minister was expected to take anything for pay which his people had for disposal. Were a house to be furnished him, they provided the materials, and built it with their own hands. They supplied him with rye, corn, meat, butter, flax, fuel, hay for his horse, and homespun for his family. They planted and gathered the crops which grew on the parsonage, and their contributions were credited to them on the minister's rate. About "New Year's," when sledding was good, they gave him a grand "wood-spell," and had "a donation party" at his house, in the evening, making the rafters ring with good cheer. I suppose the annual wood-spell is still an institution in many of our old agricultural towns.

Sometimes the towns were taxed by a demand on them to furnish each certain articles in a given quantity, without express reference to the price. In May, 1637, the General Court at Hartford declared "offensive war" against the Pequots, and "ordered that Windsor shall provide 60 bushels of corne, 50 pieces of pork, 30 lb. rice, [!] 4 cheeses; Hartford, 84 bushells of corn, 2 firkins of Butter, 3 firkins of suet, 4 bushells of oatemeale, 2 bushells of pease, 2 bushells of salt, 500 fish; Wethersfield, 36 bushells of corne, 1 bushell of Indian beanes."\*

The colonial government, from time to time, prescribed the terms on which men might have dealings with each other, and named the articles with which debts might be discharged, sometimes without a due respect for the obligation of contracts. In June? 1641, the General Court of New Haven ordered that "all comodityes bought and sold among the planters, and all work, wages and labor (henceforward, till some other course be settled by order) to be payd for either in corne, as the price goeth in the plantatiō, or in worke, as [at?] the rates settled by the Court, or in cattell of any sort as they shall be

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\* Printed Colonial Records.

indifferently prized, or in good merchantable beaver according to the goodness.”\* In November of the same year, the General Court of Connecticut repealed a regulation of the preceding year, providing that debts thereafter made might be paid in merchantable Indian corn at three and four pence a bushel, and ordered, in consequence of the scarcity of money, and the “very cheap rats” at which goods taken on execution had been sold, that “whatsoever execution shall be granted upon any debts made after the publishing of this order, the creditor shall make choice of one party, the debtor of a second, and the Court of a third, who shall pryse the goods so taken upon execution aforesaid and deliver the same to the creditor.” A similar law had been passed in Massachusetts, the previous year, which was retrospective in its operation. The officer was to “take land, houses, corn, cattle, fish, or other commodities, and deliver the same in full satisfaction to the creditor,” the same to be appraised, as in the other case.† Connecticut was always imitating Massachusetts in her enactments, “trotting after the Bay-horse,” as some one says; but in questionable legislation she usually stopped short, or kept a long way in the rear, as we shall see more fully, by-and-by. I can find nothing in her early records, nor in those of the New Haven Colony before the Union, which impaired previous contracts.

Of all the articles—the products of the country—which our fathers used as currency, that which was most available and convenient was the skin of the beaver. Furs were in demand in Europe, and could always, without much loss, be converted into coin or its equivalent.

The early colonists were not in advance of the countries they left in a true knowledge of civil government, or in just ideas of civil liberty, to say nothing of the rights of conscience. Nothing better illustrates this than their laws intended to control industry, commercial intercourse, and the prices of commodities. The general courts were absolute,

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\* N. H. Colonial Record, I. 55-6.

† An Historical Account of Massachusetts Currency. By Joseph B. Felt. Boston: 1839. Page 23.



and they attempted to order and regulate nearly everything relating to human conduct. For instance, the Court at Hartford, in February 1640, conceiving "that much ground w<sup>th</sup>in these libertyes may be well improved" for raising hemp and flax, and that they "myght in tyme haue [a] supply of linnen cloth;" therefore, they ordered, for the more speedy procuring of hemp seed, "that every p<sup>r</sup>ticular family w<sup>th</sup>in these Plantations shall p<sup>r</sup>ecure and plant this p<sup>r</sup>esent yeare at lest on spoonfull of English hempseed, in some frutfull soyle, at lest a foote distant betwixt eu<sup>r</sup> seed, and the same so planted shall p<sup>r</sup>searne and keep in [a] husbandly manner for [the] supply of seed for another year." In the second year, every family that kept a team of two or three draft cattle was to sow at least a rood of hemp-or flax. Every person that kept cows, heifers or steers, was to sow twenty perches, and every family having no cattle was to sow ten perches. The tending was in all cases to be of a husbandly sort, and whoever was in default was to undergo the censure of the Court. The government of New Haven established a tariff of prices for "wares and worke," in June, 1641. Seven hours, diligently improved, were to be accounted a day's work of a team; and nine pence a day was to be paid for a steer, twelve pence for a grown ox or bull, sixteen pence for a horse or mare, and six pence for a cart, furniture and man. Master carpenters, plasterers, bricklayers, mowers, thatchers, rivers of clapboards, shingles, lathes, &c., were to have two shillings in summer and twenty pence in winter. Those not "allowed master workmen" got but eighteen pence for summer and fourteen pence for winter. If men sawed by the day, the top man, who was supposed to guide the work and find the tools, was to be paid as a master workman, the pit man as those not master workmen; but if their skill were equal, they received, each, twenty-two pence in summer and eighteen pence in winter. "Dyett" for a laboring man with lodging and washing was fixed at four and six pence a week. Fat venison might be sold for not over two and a half pence per pound, lean, for two pence, and so on. These prices were to be paid in corne, work, cattle, beaver, &c. In May, 1676, the Con-

necticut Court ordered that the prices of provisions should be set at each session of the General Court, "according to true intelligence from Boston;" and to prevent "oppression," merchants or traders were forbidden to take more than two pence in the shilling for "profit, charge and venture" for goods bought with "ready money" in Boston, or other like market, the penalty being treble the amount of the oppressive exaction.\* At the same session it was ordered, "that what person soever shall wear gold or siluer lace, or gold or siluer buttons, silk ribbons, or other costly or superfluous trimmings, or any bone lace above three shillings per yard, or silk scarfes," the person so offending was to be assessed and pnt in the list at one hundred and fifty pounds for the indulgence; but the law was not to extend to a magistrate or a like public officer, or to his wife or children, or to "such whose quality and estate have been above the ordinary degree, though now decayed." And no person was allowed to "make, ware or buy any apparell exceeding the qnality and condition of their persons and estate, or beyond the necessary end of apparell for covering or comeliness," on penalty of ten shillings for each offense. This law is similar to one which was enacted twenty-five years earlier in Massachusetts, the General Court declaring its "utter detestation and dislike that men or women of mean condition should take upon them the garb of gentlemen, by wearing gold or silver lace or buttons, or points at their knees, or to walk in great boots, ['leather being so scarce,'] or women of the same rank to wear silk hoods or scarfs, which, though allowable to persons of greater estates, or more liberal education, we judge intolerable in persons of such like condition," &c.† These specimens, taken almost at random, exhibit but confused notions of the proper objects and ends of legislation, or of the methods of procedure when reforms are to be introduced.

The attempt of our forefathers to get along without the cur-

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\* Manuscript copy of the laws in Yale College Library. A like copy will be found in the State Library, in Hartford. The act quoted from above is not in the printed records.

† Massachusetts Record, Vol. IV., Part I, p. 60. (Printed.)

rency of the old world, was unwise and unprofitable. The unwieldy and inconvenient substitutes they adopted were practically expensive, costing more, there is reason to believe, than good hard money. By fixing the prices of the selected commodities very much above the specie rates, they made them, as far as could be done by legislation, the exclusive currency, threw out of use the coin in the country, destroyed the market for it among themselves, and drove it to other lands. Gold and silver, like other articles, go where there is a demand for them, shunning the places where they are not in request, or are undervalued. If it is alleged that the people were poor and had no surplus products to give in exchange for the precious metals, it may be replied that, in that case, they did not require a currency. They were poor, indeed; their surplus earnings were small; but they had a surplus, nevertheless; hence their need of money. They had, all along, a trade (quite limited for the first few years) with England, Manhadoes (New York,) and the West Indies. At first they shipped peltry, fish and lumber; and afterwards, pipe-staves, hoops, beef, pork, peas, fat cattle, horses, &c.; and brought back manufactured goods, sugar, molasses, cotton wool, bills of exchange, silver and rum.\* They would have brought more silver and less rum and other merchandise, had the first been in greater request at home. Merchants import those articles for which there is an active demand, and refuse those which are out of use. Had the colonists withheld opposing legislation, and rejected substitutes, commerce would have supplied them with all the coin they needed, (which was but little,) in spite of themselves. It is true, the precious metals absorb capital, but so do those commodities which were used in their stead. It requires as much capital to effect the exchanges of a country, when Indian corn is the medium employed, as when silver or gold is used; while there is the greatest difference in the ease and perfection with which the work is done. At this day, no competent person doubts that

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\* Trumbull's History of Connecticut, I. 478. Palfrey's History of New England, I. 383.



the costly metals make the best currency yet discovered. They are not only more convenient, but more economical than any other, and the remark applies to every people, rich or poor. The fact that the early colonists were in straitened circumstances is the very reason why they should have preferred them as a circulating medium.

Having removed coin from its rightful place by bad laws, and thus secured its expulsion from the country, our fathers complained, absurdly enough, that foreign traders gathered it all up and carried it to other lands. Thus the people were left destitute of a currency, and were compelled to resort to clumsy expedients. And this is the account which historians, past and present, give of the matter. Not one of them, which I have consulted, seems to comprehend the difficulty.

It is a mistake to suppose that the efficiency or sufficiency of a circulating medium depends on its quantity. One ounce of silver, provided it cost as much—provided it represent the same amount of labor—will go as far as ten or one hundred ounces. Its adequacy to perform a certain amount of service is determined by its exchangeable value, which again is determined by the labor it contains, and not by its weight. Gold is more efficient than an equal quantity of silver, or silver than an equal quantity of copper, because it costs more and represents more.

You may remove any proportion of the coin of a country, one-half, three-fourths, or nine-tenths, at the same time increasing, in an equal ratio, the difficulty and expense of restoring the loss, and the remainder will perform the business of exchanging commodities quite as well as the whole did before. It will do this, because the exchangeable value of the currency has not been diminished. I will go further. Had seven-eighths of the specie which our ancestors brought with them in considerable quantities from Europe, been returned within a year, and could no more have been obtained at any cost, the remaining portion would have sufficed for all their needs till it was worn out. In that case, specie would have borne a monopoly price. The exchangeable value of a given quantity would have been augmented in proportion as it became scarce.

When, then, our fathers complained of their destitution in regard to money, it is to be understood that it was not money they lacked, but capital. They confounded the two, as nine-tenths of the world do at the present day. If the currency was bad, it was because they made it so by injudicious interference. They needed capital distressingly; they needed wisdom; and they did *not* need so frequent sessions of the General Court. With capital, they could have had whatever is desirable. Without it, and without the power of exchange, the gold product of California would not have enriched them. The wealth of a people is never increased by the money it keeps, but by the goods or services which it gets in parting with it.

In a new country, not itself a producer of the precious metals, the money price of home products must be low, or, in other words, a little money will buy much goods and labor. This arises not so much from the poverty of the people, as from the fact that the exchange of surplus exportable commodities is made at great expense. Agricultural products, which are the first which a new settlement has to spare, are heavy or bulky, and of costly transportation. These must bear their own charge to market, and the coin received for them must represent the accumulated expense, such as land-carriage, freight, insurance, port charges, custom-house duties, commissions, &c., together with the profits of capital. Thus the money, by the time it comes into the possession of the new settlers, will represent much labor. Its entire content in toil and sweat will be manifest in its high exchangeable value, and in the low prices of the home-produced commodities which are bought with it. The same causes will affect the prices of imported goods. They will be high because obtained at great cost. But it will make no difference with a people what their money may cost them. That is, it is not material whether an English shilling is the representative of a day's or a week's work; for the higher the cost, the higher will be its exchangeable value, and the greater its exchangeable value, the less of it will be required. From our present point of view, all that is necessary in a product used as a medium of exchange, is that it



should contain the requisite amount of labor, and have a cost value equal to the work to be performed, and to the commodities for which it is to be exchanged. In an old country, with an industrious population, and abounding in light exportable goods, money will be cheap and agricultural products high.

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## CHAPTER II.

### THE MASSACHUSETTS COINAGE OF 1652, AND THE CHANGES WHICH IT WROUGHT. FIRST BILLS OF CREDIT.

THE money which the early colonists brought with them from Europe constituted the first metallic currency of this country. The English coins then in use were crowns, valued at five shillings sterling each, half crowns, shillings, sixpences and smaller pieces, all in silver. There were also copper coins, pennies, half pennies and farthings. Gold, which by a law of England was a legal tender till 1664, and again after 1717, was usually undervalued, and did not circulate. This small stock of specie, to which additions were made, from time to time, by the new-comers, came at length, by means of trade, to be much diminished. In the absence of an active home demand for it, and for the want of surplus exportable commodities, it was sent to Europe in payment for imported goods. Returning immigrants, also, took it away with them. To stop the last of these leaks, the magistrates of Massachusetts, in 1632, forbade any planter, going to England, to take away either coin or beaver, under pain of forfeiture.\* Ere long, a trade sprung up with the Dutch plantation on Manhattan Island, which was, at length, after many discouragements, ex-

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\* Felt, 16.

tended to the West Indies and the "Wine Islands."\* Along with this trade, several foreign coins were introduced. The most common of these were the ducatoon of Holland, valued at three guilders; the rix dollar, at two and a half guilders; and the "ryal-of-eight." These, the Massachusetts Court made lawful money, in 1642, the first to pass at six shillings, the last two at five shillings each.† Connecticut, in 1643, made the same regulation regarding "good rialls of  $\frac{3}{8}$  and reix dollars;" except they were to be lawful money only for debts contracted after the order.‡ A portion of the bullion which the buccaneers, or pirates of that day, took from the Spaniards, also found its way to New England. In consequence of this influx of silver, and the circulation of "light Spanish coyne, whereby many people were cousened," Massachusetts undertook to have a mint of her own. By coining their own money, they thought they should foil the European merchants, keep the silver in the country, and thus get rich. They were encouraged in this undertaking by the confusion into which affairs had fallen in England. They respected the prerogative of Cromwell's government about as much as he did that of Charles. Their course having been determined, the necessary legislation was soon forthcoming. May 31st, 1652, a "mint howse" was "appointed" in Boston, and all persons had liberty to bring to it "all bullyon, plate or Spanish coyne, there to be melted and brought to the allay of sterling silver by John Hull, master of the said mint, and his sworn officers, and by him to be coyned into twelve penny, six penny and three penny peeeces, which shall be for forme, flatt and square on the sides, and stamped on the one side with N. E., and on the other side, with the figure XII, VI, and III, according to the valew of each peece, together with a privy marke," &c. The new money was to be according to the English standard in fineness; the mint master "for valew to stampe two pence in a shilling of less valew than the present English coyne," &c., "every shilling to weigh three penny

\* The History of Massachusetts, by Thomas Hutchinson, Esq., I. 99, 3d ed.

† Felt, p. 26.

‡ Col. Record, I. 86.

Troy weight, and lesser pieces proportionably.”\* “For their paynes and labour, the mint-master, for himselfe and officers,” was allowed to take one shilling out of every twenty, or five per cent. (The United States Mint, I believe, charges one half of one per cent. for coinage.) The products of the mint, together with English money, were “appointed” as the only lawful currency of the Commonwealth after the ensuing first day of September (1652.) In the following October, it was found that the excessive plainness of the coin exposed it to washing and clipping. For the prevention of the same, it was ordered that “henceforth all peices of money coined as aforesajd shall have a double ring on either side, with this inscription, Massachusetts, and a tree in the center on the one side, and New England and the yeere of our Lord on the other side, according to this draught heere in the margent.”† The tree on these coins having a fancied resemblance to the pine tree, has given them the name of the pine tree currency. In 1662, two penny pieces were struck off by authority of the Court. These all had the date of that year. The others, throughout the whole period the mint was in operation, nearly thirty-four years, bore the date of 1652. One penny pieces were also authorized, but it is believed that none was ever minted.‡ The coins of that day were all hammered, and shaped by the eye. Consequently, they were irregular in form, and much exposed to clipping. The most perfect of the shilling pieces now in existence weigh from sixty-four to seventy-one grains.

John Hull, mint-master, did his work faithfully. His “mint-drops” were fully up to the required standard, nine hundred and twenty-five thousandths fine. But the weight of the coins, as ordered by the General Court, was shamefully deficient. The discreditable practice, which had been abandoned in England, of degrading the standard, and issuing light pieces, was resorted to, and this without the poor apology of

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\* Felt, 31.

† Mass. Col. Record, p. 104. A rough draught is given in the margin, with a tree in the centre.

‡ Dickeson's Numismatic Manual.



state necessity.\* The new shilling was to weigh three penny-weights, or seventy-two grains, twenty-two and a half per cent., or twenty one grains less than the English shilling. Thus the standard of all values was altered, arbitrarily. Creditors and salaried men were defrauded out of that which was their own, to the extent of nearly one-quarter. Those who had agreed to pay ninety-three grains of silver were, by law, discharged by the payment of seventy-two. And yet, that law, so flagrantly unjust, has not, on that account, received the censure of any historian that I have consulted. Even Hutchinson, usually sound on currency questions, has no word of condemnation.

There has been some misunderstanding about the time and manner of introduction of the "New England currency," so called. Its origin may be clearly traced to the action of Massachusetts, in 1652. It was that action which gave a new meaning to the terms, pounds, shillings and pence—which made New England money worth but three quarters as much as sterling money. It was that which made the piece-of-eight and the Spanish dollar equal to six shillings, instead of four and six pence, and the £ equal to three dollars and thirty-three hundredths, instead of four dollars and forty-four hundredths. The issue of paper money, thirty-eight years later, had nothing to do with this change of currency and the altered standard of value, loose statements to the contrary notwithstanding.

John Hull, mint-master, it seems, got fat on his contract, as he well might. The General Court, finding it too lucrative, offered him a sum of money as an inducement to relinquish it. He very naturally refused. The consequence was, he became very rich, as contractors are wont to do. He gave, it is said, thirty thousand pounds, in his own shillings, to his only daughter, as her marriage portion, and left, at his death, one of the largest estates of the Colony.†

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\* I do not understand Mr. Bancroft when he says in his *History of the United States*, (Vol. III., p. 104,) that "the *necessities* of the Colonies had led them to depreciate their currency." So far as the act of Massachusetts, in making light coins, is concerned, there is no foundation for the statement.

† Hutchinson, I. 165. The story about the £30,000 has been doubted

The Massachusetts people established their mint for their own benefit. It was for them a great institution—the philosopher's stone, which was destined to make them all rich. Like the rest of mankind, they were benighted as to the nature of money, and supposed that a community was rich in proportion to its gold and silver. Having these, they considered themselves in the possession of everything desirable. To increase the supply was the prime object of statesmanship. They thought that the wild scramble among the nations of that day for the specie of the world was a struggle for the substance and concentrated essence of good. Though their legislation drove away the precious metals, this they refused to understand. Impressed with the popular idea, the General Court took measures to confine the products of their mint to the Commonwealth. With about as much wisdom as was current with the governments of that day, an order was passed in May, 1662, forbidding any person, "by sea or land," to take the colony coin out of the country, in any sum exceeding twenty shillings for necessary expenses. Searchers were appointed in the different towns, whose duty it was to see that no part of the precious treasure escaped. The portmanteaus, bags, cloaks and pockets of persons "departing the jurisdiction on horseback" were overhauled, at the place of starting. If a man was caught violating the law, the money was seized, and "all his visible estate confiscated."\* These prohibitory measures were of course ineffectual. The pine-tree coins reached Connecticut, and became the common currency of New England, beyond which they did not circulate as money. They were taken to foreign countries, and made their appearance in England, but only as bullion, worth seventy-five per cent. of their face.†

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\* Printed Statutes, edition of 1672.

† The English shilling weighed 93 grs. nearly; but to show its true value, the charge for coining it, or seigniorage, must be added. This amounted to about  $3\frac{1}{4}$  per centum, which added to the weight would make the piece the equivalent of about 96 grs. of standard silver. The Massachusetts shilling, arriving in England, ceased to be money. Its value as merchandise, as compared with the English coin of the same name, was in the proportion of 72 to 96, or 3 to 4. To convert the money of one country into that of another, involves the expense of

The lightness of a coin will not prevent its exportation, in the way of trade, after the heavier and more valuable pieces, having the same nominal value, have disappeared, or have come to bear a premium. In 1672, the Massachusetts Court, finding that pieces-of-eight were "of more value to carry out of the country than they will yield to mint into coyne," ordered that those of full weight should pass for six shillings each. This measure failing to prevent exportation, their legal value was again raised, in 1682, from six shillings to six and eight pence, provided the piece should weigh one ounce, Troy.\* But this law overvalued the coin, and in 1697, the previous regulation was restored.†

The Boston mint was condemned by the friends of the English government. No American colony had before ventured to coin money. None had presumed so much on the forbearance of their masters. And yet, no notice was taken of the unauthorized institution either by Cromwell or Parliament. They had too much on their hands to be looking after the short comings of an obscure people three thousand miles from home. After the death of Cromwell, the enemies of the colonists multiplied. The good natured Charles, who was crowned in 1660, was offended because his royal prerogative had been invaded. The offenders were called traitorous and disloyal; were charged with seeking independence. A commission was sent over to look into their affairs. They gave the colonial government some wholesome advice, and, among other things, required them to stop coining money. They did not stop; but, desirous to appease the wrath of Charles, and save their

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two coinages, a domestic and a foreign. The Boston shilling, for home circulation, was worth, say, 72 grains of standard silver, *plus* the five per cent. paid John Hull for minting. For exportation to England, it was worth, when of full weight, 72 grains, *minus* the  $3\frac{1}{4}$  per cent. demanded by John Bull for a similar service.

There has been no seigniorage on the coinage of gold in England since 1666. See McCulloch's Commercial Dictionary, Article, *Coins*.

\* The piece-of-eight was estimated, in 1704, at the English mint, to weigh four hundred and twenty grains, sixty grains less than one ounce.

† Felt, 41, 44, 55.



charter, they sent to London, in 1666, at great expense, "two very large masts," for his majesty's navy, and soon after, a ship load of smaller spars. Still later, they plied him with "tenn barrels of cranberryes, two hogsheads of special good sampe, and three thousand codfish."\* Last of all, they tendered twenty or thirty beaver skins, "as an annual acknowledgment of allegiance and humble thankfullness for his majesty's gracious clemency," but with no effect. The king remained obdurate, and the charter was vacated early in 1685. The coining of money was only one of the alleged reasons of this procedure, and Hutchinson says no great stress was laid upon it; but it is evident that it had considerable influence. The mint continued its operations a few months after the charter had expired, when it too died, much to the grief of Massachusetts. Its coinage was in circulation down to the Revolution of 1776.

It is uncertain at what time the "Bay shillings" became a common currency, and the standard of value in Connecticut. But as there was considerable trade with Boston, the supplies of foreign goods being purchased there, the new money must have been known in the Colony at an early period. It appears, however, not to have been formally recognized for several years. I find, on examining the inventories on record in the Probate Office in New Haven, that in 1668 "plate" was valued at five shilling per ounce, indicating that the English coin was then the standard. In "March, 167 $\frac{5}{6}$ ," and in "February, 1677," I notice instances in which the same article was appraised at six shillings per ounce, this fact showing that a change of custom had, to a certain extent, taken place. In 1681, I observe that certain silver spoons are set down at their value in "New England money." The General Court allowed Massachusetts shillings to circulate, but in pursuance of their habitually cautious policy, declined to give them their official sanction long after they had become, practically, the standard of value. This circumstance is not the less remarkable from the fact that they did not neglect, for so long a period, to

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\* Dickeson's Numismatic Manual.

establish the value of foreign coins, on the pine-tree basis. In May, 1683, the Court, "being willing to encourage the bringing in money and the increase of trade," ordered "that for the future, all peices of eight, Mexicoe, pillor and Civill peices," should pass at six shillings each, and "all good peices of Perue are to pass at five shillings, in lieu of New England money,"\* fractional coins in proportion. In October of the next year, however, this law was repealed; but a similar and more comprehensive one was afterwards enacted, which recognized an existing fact, and made the coins named, lawful money. It is found in the code of 1702, and reads as follows:

Whereas, for many years past, the money coined in the late Massachusetts Colony hath passed currant at the rate or value it was stampd for; and good Sevil pillar, or Mexico pieces-of-eight, of full seventeen penny weight, have also passed currant at six shillings per piece, and half pieces of proportionable weight, at three shillings per piece, quarter pieces of the same coynes, at sixteen pence per piece, and reals of the same coyne at eight pence per piece—

Be it therefore enacted, \* \* \* That all and every the coynes before mentioned, shall still be and continue currant money within this Colony, and shall be accepted, taken and received at the respective values aforesaid, according as hath hitherto been accustomed—*Provided always*, That such of the said coynes as pass by tale, be not diminished by washing, clipping, rounding, filing or sealing.†

This law, it will be observed, makes each of the foreign coins named, weighing seventeen pennyweights, the equivalent of six Massachusetts shillings, which should have weighed eighteen pennyweights. Doubtless, the size of the latter had been gradually reduced by wear and rognery, (chiefly the latter,) so that their real did not exceed their estimated value. Had they been worth more than the estimate, they would have been withdrawn from cirenlation to be hoarded, melted or exported. In truth, both the domestic and foreign coins current in the country, in the last years of the seventeenth century, were much reduced in weight by washing, filing, paring with shears, &c. The Spanish eight-real-pieces, which, in the middle of the century, passed in trade for five shillings sterling, were, at a little later period, only equal to four and six pence

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\* Printed Col. Records.

† I have failed to ascertain when this act was passed, but it was probably soon after October, 1697; for, at that date, Massachusetts enacted a similar law.



sterling, each, or six New England shillings.\* The pieces gradually got lighter and lighter, so that about 1700, they had lost ten, fifteen, twenty, or twenty-five per cent.† Those which were known as "heavy pieces-of-eight" were withdrawn from circulation as fast as they appeared, while the light ones were used as money and for the payment of debts. To arrest the evil, the aid of legislation was invoked. Connecticut enacted the law which has just been recited, which required that those coins which passed by tale at their former rate, should "not be diminished by washing," &c. Statutes, however, were ineffectual, and the evil went on increasing. In recognition of an existing fact, the General Court of Massachusetts enacted, in 1705, that light money and plate of sterling alloy should pass and be good in payments at seven shillings the ounce.‡ "During the next year, the courts of judicature [of the same Province] chancered [cut down] silver to eight shillings per ounce, in satisfaction of debts, which was nearly at the rate of six shillings to a light piece-of-eight, as current at the time."§ The value of the metallic currency which was in general use at this time, or, say, in the first part of the eighteenth century, was worth about eight shillings per ounce.|| It passed at this rate in the way of trade. But as

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\* I am not sure that, in the mean time, the Spanish coins in question had not been degraded by lowering the mint standard.

† Merchants' Magazine, Vol. XVI., p. 345, (1847.) The merchants of New York, in a petition to Lord Cornbury, about February, 1704 $\frac{4}{5}$ , complained as follows:—"The people of Boston, publicly and avowedly, have practiced to clipp and file all the small current money along the continent to 25 per cent. loss, which practice and the unlawfull proffit comeing thareby, did encourage enough to make it their business to carry it [the coin] thither and return it againe to us and our neighbours, where it passed for the same value as formerly; which is now so apparent that, many times, sixteen rials doe not weigh seaventeen penny weight." Documentary Hist. N. Y., IV., 1134.

‡ Felt, p. 60, note.

§ See "A chapter on Colonial Currency" in the Merchants' Magazine for April, 1847.

|| In 1727, the General Court of Massachusetts passed a law which established a rule for the equitable adjustment of debts contracted in paper money. It enacted that all obligations entered into, before 1712, might be discharged in bills of credit at the rate of eight shillings for an ounce of silver. (Felt, 83.) Said bills, says Hutchinson, were as good as silver till after 1710.

the real value could not be known from the denomination, it was customary to weigh the pieces in order to obtain a correct notion. "Money scales" is an item often met with in the inventories of deceased persons of that day.

The washing and paring of coins was carried on in England, on a large scale, in the latter part of the seventeenth century. The irregular shape of the pieces, and the low state of the art of coinage, rendered these operations comparatively easy. Many of those in circulation, in consequence of the depredations of the clippers, were reduced to two-thirds, sometimes one-half their proper weight. In Macanlay's brilliant pages (see his History of England) will be found a graphic description of the miseries brought upon England by this degradation of the currency. At last, the government, in 1696, was obliged to call in the old coinage, and to substitute a better, which was protected against mutilation by what is called milling. The change cost one million two hundred thousand pounds.

Notwithstanding the large amount of the New England coinage, country pay continued to be received for public taxes at fixed prices. The custom was continued in Massachusetts till 1694, when it was abolished, bills of credit having been introduced.\* It was followed some fifteen years longer in Connecticut. As the consequence of this practice, several currencies were in existence, and the prices of commodities were graded according to the particular currency which was offered in payment. To illustrate this point, I will quote a passage from "The private Journal kept by Madam Knight, on a journey from Boston to New York, in the year 1704," first published in New York in 1825, from the original manuscript. Madam Knight was a literary lady, and on her journey, (which was made on horseback,) passed several weeks in New Haven. During this stay she wrote as follows:—

They [the people] give the title of merchant to every trader who rate their goods according to the time and specie [kind] they pay in, viz: pay, money, pay as money, and trusting. [That is, they have a *pay* price, a *money* price, a *pay as money* price, and a *trusting* price.] *Pay* is grain, pork, beef, &c., at the prices

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\* Felt, 54.

set by the General Court that year. *Money* is pieces of eight ryals, or Boston or Bay shillings, (as they call them,) or good hard money, as sometimes silver coin is termed by them; also wampum, (viz., Indian beads,) which serves for change. *Pay as money*, is provisions as aforesaid, one-third cheaper than as the Assembly in General Court sets it; and *trust*, as they and the merchant agree for time. Now when the buyer comes to ask for a commodity, sometimes before the merchant answers that he has it, he says, "is your pay *ready*?" Perhaps the chap replies, yes. "What do you pay in?" says the merchant. The buyer having answered, the price is set; as suppose he wants a six penny knife; in pay, it is twelve pence; in pay as money, eight pence, and in hard money, its own price [value], six pence. It seems a very intricate way of trade, [&c.]

This, it will be observed, is a description of the currency of Connecticut, and not of Massachusetts; consequently nothing is said of bills of credit, to be mentioned by and by. It is possible, however, that Madam Knight may have been mistaken in one particular. So far as my inquiries have extended, pay as money and money (which then meant specie) were not two things but one. The General Court, annually, and whenever it laid a tax, fixed the prices of the commodities which were to be received in payment. They fixed them at one-half or fifty per cent. higher than the money price. The commodities thus selected were accepted by the people at the established prices as a common currency. They were called "country pay," not because they were products of the farm, but because they were received by the Colony or government in payment of rates. I have examined the inventories of estates in New Haven, for the ten years following 1700, for the purpose of ascertaining the currency in which property was appraised. The valuations are usually in country pay, the fact, in most cases, being so stated. If money (coin) or plate is entered, one half is added to convert it into pay. Items like the following are common:—"Plate in pay, £10" (170 $\frac{4}{5}$ ;) "money, £4:16:1, in pay, £7:4:1 $\frac{1}{2}$ " (170 $\frac{4}{5}$ ;) "Cash, £8:17:0, in pay, £13:5:6" (1706;) "Cash, 30s. which is in pay, £2:5:0," (170 $\frac{7}{8}$ .) In 1702, is this entry: "£200 money in England, valued in pay at £375." Here twenty-five per cent. is added to convert sterling into New England (pine-tree) currency, and fifty per cent. to the sum of these two to convert the latter into pay. Occasionally other standards are employed. In 1702,



I find an instance in which plate is carried out at (about) nine shillings an ounce; in 1704, another, of silver at seven shillings the ounce; in 170 $\frac{9}{10}$ , another, of plate\* at eight shillings per ounce, &c. These examples show some instability of practice, and the confusion growing out of the many currencies in use.

To get a correct notion of the prices, stated in pounds, shillings and pence, which prevailed in the period about which I am writing, it will be necessary to understand the facts which have been mentioned, and the peculiar condition of the currency. This will be specially important, if we would compare the prices of this period with those of others. Suppose the price of a commodity be stated at six shillings, without explanation: it will be safe to assume that country pay is intended, and that one-third must be deducted. The price will then stand at four shillings, in money; but as the current coins were of light weight, being worth only at the rate of eight shillings per ounce, when they should have been equal to six and ten pence the ounce, another deduction of six pence must be made. After this operation, the price reckoned in good Bay shillings, or heavy pieces-of-eight, will stand at about three and six pence. To convert the last sum into sterling money, twenty-five per cent. more must be taken off. In this way alone can an intelligible comparison be made.

The pieces of money which are named in the Connecticut statute of 1702, made up the common metallic currency of New England, for more than a century, beginning with the time an active trade was opened with the West India Islands. When the Massachusetts shillings were introduced, these became the measure of value, changed the imperial standard, degraded it twenty-five per cent., and increased the nominal prices of commodities in proportion. By a well known law, they drove the more valuable English coins that remained in the country out of circulation, the latter seeking a foreign market, where their current value equaled the cost of producing them. The English pound, or pound sterling, as a

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\* "Plate" is understood to have been of the fineness of sterling money.

money of account, gave place to the New England pound, containing only three-quarters as much silver. The several Spanish coins known as Mexican, Peru, Seville and pillar pieces-of-eight (eight reals,) each weighing, in 1704, four hundred and twenty grains, and worth, intrinsically, about four and six pence sterling, were equal, singly, to six Bay shillings. This is on the supposition that all the pieces were of full weight. The Spanish milled dollar, too, which ultimately took the place of the eight-real piece, though a trifle lighter, was considered as good for six shillings. It was in this way that the dollar of New England came to contain six shillings, the half dollar three shillings, the quarter one and six pence, the eighth nine pence, the sixteenth four pence halfpenny—a way of reckoning which is not yet quite obsolete. In the other colonies different customs prevailed, the same coin having a different nominal value. The Spanish dollar in New York and North Carolina represented eight shillings; in New Jersey, Pennsylvania and Maryland, seven and six pence; in South Carolina, four and eight pence; in Virginia, the same as in New England.\* This diversity of custom was a great inconvenience—an embarrassment to commerce and to all intercourse.

The Board of Trade and Plantations, (established in 1696,) which had a general oversight of colonial affairs in America, had often complained of the different and unstable currencies of the colonies. It proposed, not to restore the English basis, but to fix the standard of value of the coins in use, and thus to prevent its further degradation. By a judicious regulation of this matter, it was thought to “make most of the money center in England.” In execution of the plan, the Queen, in June, 1704, issued her proclamation establishing the value of the several foreign coins in common use in the plantations, according to their intrinsic worth, and in conformity to a table prepared by the “master-worker of the mint,” Sir Isaac Newton, which is as follows:—

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\* Gouge's History of Paper Money, &c., p. 6.

Weight and intrinsic value of the several species.			Rate of said pieces in proportion to the limitation made by said proclamation.	
	Pwt. Gr.	Value.	To be taken for in the Plantations.	This to be enforced from the first of January next, 1704-5.
Seville pieces of eight, old plate,	17 12	4s. 6d.	6s.	
“ “ “ new “	14	3s. 7½d.	4s. 9½d.	
Mexico pieces of eight,	17 12	4s. 6d.	6s.	
Pillar pieces of eight,	17 12	4s. 6¾d.	6s.	
Peru pieces of eight,	17 12	4s. 5d.	5s. 10½d.	
Cross Dollars,	18	4s. 4¾d.	5s. 10¼d.	
Ducatoons of Flanders,	20 21	5s. 6d.	7s. 4d.	
Ecus of France, or silver Lewis,	17 12	4s. 6d.	6s.	
Crusados of Portugal,	11 4	2s. 10¼d.	3s. 9¼d.	
Three Guilder Pieces of Holland,	20 7	5s. 2½d.	6s. 11d.	
Old Rix dollars of the Empire,	18 10	4s. 6d.	6s.	

All halves, quarters and less pieces, are allowed to pass in proportion to the above rates.

In regulating the value of foreign coins, the Proclamation of Queen Anne seems to have followed the custom of New England, making the pine-tree shilling the standard. It is true, the last named piece is not mentioned, but this is doubtless because it was an unauthorized coin. The royal order was promptly enjoined by the American governors; but for various reasons it proved of no effect except in Barbados.\* No formal action was required on the part of the governments of Massachusetts and Connecticut, the prescribed regulations being in harmony with colonial laws. The custom of trade, however, as I have already stated, was not in accordance with existing legislation.

In 1707, the Act of the sixth of Queen Anne, so called, was passed by Parliament. It recites the Proclamation, and enacts that any person in the colonies who shall, after May first, 1709, receive or pay out any of the coins named at a greater or higher rate than is allowed by the Proclamation, shall suffer six months imprisonment and forfeit ten pounds.† The purpose seems to have been to stop legislative tampering with the coin, to prevent the degradation of the standard of value, and to secure uniformity of custom. “Proclamation-money,” or, more briefly, “proc. money,” of which we hear so much

\* A short History of Paper Money and Banking. By William M. Gouge. p. 6. See also Felt, pp. 59, 60, Doe, Hist. N. Y., Vol. IV.

† See English Statutes at Large.



half a century later, after the paper money system had exploded, derives its name from Queen Anne's order.

The year 1690 is memorable ; for then was inaugurated the reign of paper money in America—a reign not yet ended. It began in Massachusetts, the ancient mother of currency heresies. Many years before, the question of setting up a bank had agitated the Colony. The mint did not make money fast enough or cheap enough. Spite the pine-tree shillings, three-quarters weight, the people were much straitened in their means. So soon as their coinage had ceased, the bank project was revived. It appears from a rare tract quoted by Felt, page forty-seven, that a partnership was formed which circulated notes based on land-security. Little more is known of it. Its operations must have been very limited, and its influence upon history inconsiderable. But now a new opportunity occurred of carrying out some paper money scheme, under favorable auspices. Massachusetts, it seems, in concert with Connecticut and New York, had sent an expedition against Canada. It proved a failure, and the troops returned, unexpectedly, to Boston. The government was unprepared to meet the charges, having trusted to the success of the enterprise, and the plunder which success would secure. The soldiers clamored for their wages, and, not receiving them, were, it is said, on the point of mutiny. There was not time to collect a tax, and it was doubtless difficult to borrow. In this emergency, the General Court, "desirous," as they say, "to approve themselves just and honest," and considering withal the "scarcity of money and the want of an adequate measure of commerce," established a "provincial bank," and authorized a committee to issue, forthwith, in the name of the Colony, seven thousand pounds, in bills of credit, from two shillings to five pounds each. One of these bills, which I find copied in Drake's History and Antiquities of Boston, page four hundred and ninety-one, the original being five and three-quarter inches from top to bottom, and five inches from side to side, reads as follows :

No. (916.)

20 s.

This indented Bill of Twenty Shillings due from the Massachusetts Colony to the Possessor shall be in value equal to money, and shall be accordingly accepted by the Treasurer and Receivers subordinate to him in all Public payts, and for any stock at any time in the Treasury. Boston, in New England, February the third, 1690. By order of the General Court.

[L. S.]

ELISHA HUTCHINSON, }  
JOHN WALLEY, } *Comitee.*  
TIM THORNTON, }

These bills were, in fact, treasury notes, secured by a tax, and receivable for treasury dues, the phrase "shall be in value equal to money," meaning nothing. They were not favorably received, and would not command money, or goods at money prices. The soldiers lost heavily, not being able to sell their paper notes for more than twelve or fourteen shillings in the pound.\* Afterward, in 1692, an order was passed declaring "that all bills of public credit, issued forth by order of y<sup>e</sup> Generall Court of y<sup>e</sup> late Colony of y<sup>e</sup> Massachusetts Bay, shall pass current within this Province in all payments equivalent to money, and in public payments at 5 per cent. advance." Thus they were made lawful tender, for their face, in private transactions, and were received, by the Treasurer, in whatever payment, at five per cent. premium. They were to be redeemed in twelve months. These provisions were designed to prevent depreciation. Felt thinks they had the intended effect for twenty years. The demand for the bills, when the tax became due, made them, for the moment, because of the five per cent. bonus, better than hard money. But the order which had been previously passed, that no more than forty thousand pounds should be emitted was not regarded. The "scarcity of money" was still complained of, and each issue whetted the appetite for more. The whole amount of the emissions, including the reëmissions, up to 1702, Mr. Felt thinks, must have exceeded one hundred and ten thousand pounds. At this period, says Governor Hutchinson, they were as good as silver, (silver, I suppose, at eight shillings per ounce;) and not till after 1710 did they suffer any great depreciation.

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\* Hutchinson, I., 357.



Those issued before the arrival of the new Charter, (granted by William and Mary, in 1691,) were called old charter bills.

I believe the paper money of Massachusetts, emitted before Connecticut had bills of her own, did not circulate in the latter Colony. I think so, because I have been unable to find any trace of them. And this view is confirmed by the neglect of Madam Knight, in the passage already quoted, to mention them, in her enumeration of the different currencies in use. Indeed, while at or near the specie point, they were too valuable to be employed as money, or at least to pay debts with, so long as country pay, representing two-thirds as much labor, was allowed. Had any been received, in the way of trade, they would, like coin, have borne a premium over the common currency, which fact would have been evidence that they had come to the wrong market. Those wishing to buy goods in Boston would have picked them up as a profitable remittance.

The example of Massachusetts, in her perilous paper money experiment, was not lost upon the other English Colonies. With the exception of Nova Scotia, says Hutchinson, they all, sooner or later, adopted her system. Mr. Bancroft makes Virginia\* the exception.

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### CHAPTER III.

#### CONNECTICUT BILLS OF CREDIT—OLD TENOR EMISSIONS.

THE first bills of credit of Connecticut, like those of the Massachusetts Bay, were issued in a time of financial embarrassment. The colonists, then in the midst of the war with

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\* Mr. C. J. Hoadley, State librarian, of Hartford, has in his possession a Virginia bill bearing the date of 1757. Others are in existence. See Henning's Statutes of Virg., VI., 467. Nova Scotia, too, had issued bills in 1755.

France and its Indian allies, called Queen Anne's war, had been heavily taxed, the colony tax alone amounting, in some years, says Dr. Trumbull, to seven pence or eight pence in the pound, on the whole list, equal, in the latter case, to three and a third per cent. on taxable polls and estate. But it must be remembered that the lists were made up very differently then and now, as I shall explain in another place. The General Court met, by adjournment, in New Haven, in June, 1709, apparently to devise means to carry on the war. During a three days' session, they passed the following law. I copy from the printed statutes:

Forasmuch, as by reason of the great scarcity of money, the payment of the public debts, and charges of this government, especially in the intended expedition to Canada, is made almost impracticable. For remedy whereof:

Be it enacted [ &c. ] that there be forthwith imprinted a certain number of Bills of Credit on this Colony, in suitable sums from two shillings to five pounds, which in the whole shall amount to the sum of eight thousand pounds and no more: which bills shall be indented and stamped with such stamps as the Governor and Council shall direct, and be signed by a Committee appointed by this Court—they or any three of them, and of the tenor following. That is to say:

No. (—)

20 s.

This indented Bill of Twenty shillings, due from the Colony of Connecticut, in New England, to the possessor thereof, shall be in value equal to money, and shall be accordingly accepted by the Treasurer and Receivers subordinate to him, in all public payments, and for any stock at any time in the Treasury. Hartford, July the 12th, Anno Domini, 1709. By order of the Generall Court.

J. C.	} Committee.
J. H.	
J. E.	

And so mutatis mutandis for a greater or lesser sum.

This form is copied, verbatim, from the Massachusetts note, the necessary changes of date, &c., having been made. In printing the bills, the words, "in all public payments," were omitted, as they were in the next and subsequent issues, which omission, though "not so material," was provided for by special act, in May, 1710. The form, date and all, was preserved in all the subsequent emissions, for many years. The additional date of "May, 1713," however, was afterwards added, to distinguish the more recent issues. The law prescribing and limiting the denominations of the notes was not

changed. They were signed by a committee of the General Court, and appear to have been printed, (some of the earlier ones, at least,) in Boston, under the charge of Mr. Dummer.\*

Of the eight thousand pounds in bills first ordered, four thousand were to be signed and delivered to the Treasurer for disbursement, the other four to be retained, unsigned, in the hands of the Committee, till the further order of the Court. Like the Massachusetts issues, they were to be paid out as "equivalent to money," and to be received "in all public payments [on account of taxes only] at the advance of twelve pence on the pound more," or at the rate of five per cent. premium. The premium was allowed as often as they were paid in, though many times in the course of the year. The effect would naturally be to make them worth more than other par funds as the time approached for the payment of taxes. "In all other payments," (other than public payments,) says Dr. Trumbull, "they were to be received as money."† If, by this language, Dr. Trumbull meant to say that they were made a tender for private debts, he is mistaken. Mr. Bancroft, in his History of the United States, speaking of the legal tender feature as common to the early colonial credit bills, makes no exception in favor of Connecticut.‡ The law of this Colony, at that period, said nothing of private obligations. Probably, both of the historians named have been misled by the phrase in the form of the bills "shall be in value equal to money," which, as I understand it, bound no party except the Treasurer of the State. The legislation of Massachusetts was different, as has been mentioned.

By the same act which authorized the emission of public bills, the General Court, "as a fund and security for the repayment and drawing in of the said bills to the Treasury again, and for defraying any further charge of the Colony," "granted a rate of ten pence on the pound in money, one moiety thereof to be levied according to the next list of heads and estates," and payable, on the first day of May, 1710; the other half to be

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\* See Journal of the Council.

† History of Connecticut, Vol. I., p. 474.

‡ Vol. III., p. 388.



levied on the list of 1710, and payable May 1st, 1711. And liberty was granted "for any person to pay his rate either in bills of credit, silver money, or in pork at fifty shillings per barrel, or beef at thirty shillings per barrel, winter wheat at four shillings per bushel, rye at two shillings and four pence per bushel, and Indian corn at two shillings per bushel. \* \* \* \* And no person shall have liberty to pay above two-thirds of his rate in rye and Indian corn," these commodities being less desirable "stock" than some other.

The expedition against Canada failed, and in October of the same year, again, on account "of the great scarcity of money," eleven thousand pounds in bills of public credit were ordered to be issued, and for their redemption, with the five per cent. advance, and for other purposes, a tax of twelve thousand pounds was laid, payable "within the term of six years, \* \* \* and so much thereof in each of the six years" as should be ordered.\* The tax payers were allowed the same option as to the ways of payment as by the act of the preceding May. At the same session, a law was passed requiring that when any salaries of public officers, or the wages of officers and soldiers, or posts, or other persons, were made payable by law, "in country pay," the debt on account of said salaries, &c., should be discharged by the Treasurer, with bills of credit for two-thirds the amount. This act was designed to reduce "pay" to current money, three of the former being only equal to two of the latter.†

In May of the next year (1710,) it was found that the "Colony in general, as well as particular persons," was suffering for the "want of a due circulation of the bills of public credit." "For remedy and prevention thereof" the General Court enacted that "all rates hereafter to be made, pursuant to" preceding acts for drawing in said bills, should be paid either in bullion at eight shillings the ounce, Troy, or in the bills of the Colony. But it was found, doubtless, that the law rating silver

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\* At the next session, the time was fixed for June, 1715.

† It was in this year, (1709,) according to the Merchants' Magazine, (Vol XVI. p. 344,) that New York and New Jersey made their first issues of bills of credit. Rhode Island followed in the next year, (1710.)



at eight shillings per ounce\* contravened the act of Parliament and the Proclamation of Queen Anne. Consequently, after three months, it was repealed, and another enacted, providing that the before mentioned rates and taxes should be paid either in money (money at that time meant coin,) "as it shall generally pass in New England," or in the bills of the Colony. Thus country pay was excluded from the Treasury, and a decisive blow given to a most inconvenient currency.

In October, 1710, £5,000 in bills of credit were ordered, and a tax levied of £5,250, payable on or before the last day of August, 1718. £4,000 more were authorized in May, 1711, and a tax laid of £4,500, to be paid before the first day of June, 1720. £6,000 were also ordered in June, 1711, and £6,300 levied by a tax due on or before August thirty-first, 1723. In May, 1712, and in June, 1712, there were *reissued*, in the one case £3,000, and in the other £1,500, the same being bills which had been paid into the Treasury by the rates of 1711 and 1712. A tax was laid in each instance payable in 1720. After this period, it was customary for the General Court to authorize, at stated periods, the reissue of any bills received into the Treasury which were found in a suitable condition for circulation.

From June, 1709, to May, 1713, there had been emitted (or authorized) in all, £34,000 in colonial credit bills, a little more than Dr. Trumbull's estimate at a later period.† Of this sum, £3,500 paid into the Treasury, had been reissued, and there were outstanding, at the last date, £20,000, or, according to a subsequent statement, £23,636:11:4.

Rogues always prosper when large additions are being made to the currency. Too often they get the start of honest men, and pocket the gains which flow from a more active business. They manipulated the bills of credit, and introduced certain emendations and improvements. Judged by the higher standard of our day, their work was done in a bungling manner;

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\* Silver was intrinsically worth, in the currency established by the Proclamation, about 6s. 10½d., but in sterling money, or English coin, only 6s. 8d. (approximately.)

† History of Connecticut, Vol. I., 474.

but they succeeded in converting the smaller into larger notes, "by which means divers persons suffered considerable damages." For the prevention of which evil practices and wrong, the General Court, in May, 1713, enacted that bills of credit not exceeding £20,000, having the additional date of May, 1713, should be forthwith printed, which the Treasurer was authorized at any time, within eighteen months, to exchange for the bills then outstanding. And the people were to be warned by proclamation, to bring in their bills and have them exchanged, "on penalty of having their demands upon the Treasury refused." In October, 1714, the time was extended to June first, 1715. But the bills did not come in as desired. In the meantime, new "cheats and forgeries" had appeared. The notes had "been imitated by several false and counterfeit bills, \* \* \* by false plates and otherwise," and the General Court, October, 1717, again extended the time, and authorized the Treasurer to exchange the bills "of the date of July twelfth, 1709, only," for those having the additional date of May, 1713, till "the fifteenth of May [then] next, and no longer." At the same time, it was enacted "that from and after the said fifteenth day of May, no creditor" should "be obliged to receive in payment the said bills of credit bearing the date of July twelfth, 1709, only." Of course, the government had no intention, at that time, of repudiating any of its true bills; and I suppose it was well understood that no creditor was under obligation to receive them, and that they circulated by consent only. The fifteenth day of May, 1718, soon came round, and many of the old bills were still outstanding. Whereupon, the period was again extended, first to May twenty-fifth, 1719, (when "several thousand pounds" of the old bills were still in circulation,) then to November first, 1719, then again to June first, 1720, and still again to June first, 1721.

But the business of counterfeiting and altering the colony bills went on. In fact, the crime became so common and so dangerous, that the General Court, in May, 1724, felt constrained to increase the penalty from six months' imprisonment, or "standing in the pillory three several lecture dayes," to branding in the forehead with the letter C, cutting off the right ear, confinement to work in the work-house, under a mas-

ter, till the day of death, and forfeiture of estate. Besides all this, the offender was to be "forever debarred of any trade or dealing within this Colony in any wise, upon penalty of being severely whipped,"—an unnecessary cruelty to a man shut up for life in a work house.

The facts mentioned in regard to counterfeiting, show that Dr. Trumbull is not quite correct when he says that this business was not begun till "about the year 1735," when "there arose a set of villains," &c. The villains had been up and doing long before that.

There is a history connected with the £20,000 in bills, authorized in May, 1713. They were to be placed in the hands of the Treasurer to be exchanged for the old issues. He was "not to give or dispose of them to any other use or end whatsoever, without the order of this Assembly." With the exception of £1,000, emitted for ordinary expenses, in October of the same year, no additional issues were authorized for several years. Instead of this, the General Court would order the Treasurer, from time to time, to apply certain portions of the £20,000 fund "towards the payment of the public debts, \* \* \* and the further necessary charge thereof." This operation began with the act that created the fund, and was continued, year after year, till May, 1719, when £12,952:12:6 had been thus appropriated, and the issue was exhausted. At this time, "divers persons" bringing "divers sums" in old bills to the Treasury for exchange, had been turned away on the plea of "no funds." Prompt to meet the emergency, the General Court enacted that £4,000, in bills of credit, in all respects like the £20,000, should "be forthwith imprinted," to be placed in the hands of the Treasurer as an exchange fund. £1,290:2:6 of this money were used to pay "public debts, \* \* \* and the further necessary charges thereof," at the next session of the Court in October.

In October, 1722, it was found that the "torn and defaced" bills, ("unfit to pass,") then in circulation, required attention, and £4,000 were ordered to "be forthwith imprinted," to take their place by exchange. But at the next session of the Court, in May, 1723, £346:12:6 of the same were wanted and employed to discharge the debts of the Colony, the re-



mainder to be reserved for the purpose for which they were designed. £2,640 more of the same sort went in the same way before October, 1724, when the "torn and defaced" bills needed renewed attention. £4,000 were to be printed without delay, and £2,000 of the same set apart to liquidate the debts of the colonial government. Up to October, 1728, £16,000 in all had been struck off or authorized professedly on account of bills "torn, defaced and unfit to pass," the Treasurer, in the several acts, being directed to make the exchange. Out of this fund, I find that £9,942:17:0 were taken for the payment of the public debts, and the charges of the government.

The bills which have been mentioned, together with those brought in by taxes and reissued, seem to have been sufficient for the disbursements till May, 1729, when a new occasion was embraced for a new emission. It appears that, owing to the scarcity of small change, the colony bills had been halved and quartered, and the fragments passed in payments at a proportionate value, as was done by the issuers of notes, at a very recent date, (1862.) To discourage the evil, a law was enacted in May, 1726, forbidding the Treasurer to receive quartered bills. To get quit of those in circulation, which are described in the preamble as "bills of credit \* \* \* torn in pieces" which "do usually pass from man to man," an act was passed in May, 1729, requiring £6,000 in new bills to "be forthwith imprinted," to be exchanged for said notes, and for "all other outstanding bills of this Colony that are not printed on the backs." At a later period, the counterfeiters quartered and halved their bills, in imitation of the genuine, rendering detection doubly difficult, so that more legislation was demanded in May, 1736. In the mean time, however, £2,500 of the "exchange bills," so called, were employed for the expenses of government, there not being, at the time, (October, 1732,) "a sufficiency of money" in the Treasury "to defray the charges of this Assembly." Of the £47,000 authorized emissions from May, 1713, to October, 1732, both inclusive, all, with the exception of £1,000 in October, 1713, were for the ostensible purpose of taking up earlier impressions which had been counterfeited,



or removing from circulation torn and defaced, or halved and quartered bills. And yet, £29,885:12:0, if there is no mistake in my figures, out of the £46,000 net, were appropriated, from time to time, by law, for the payment of colony debts, &c. The wants of the Treasury seem to have been supplied, to a large extent, from the new notes set apart, in the first instance, as an exchange fund.

In the earlier legislation of Connecticut, the same law which authorized the emission of bills of credit, levied a tax payable within a certain period, to sink the whole issue, together with the five per cent. advance. At first, this period was one and two years, then six years, then eight, nine, twelve, and again eight years. After the close of the war, in 1713, the time was frequently shortened. I discover no instance in which this tax was neglected. The same principle of providing by taxation for all bills put in circulation, was observed, so far as can be ascertained, with regard to the reissues—the reissues, I mean, of notes brought in by any sinking fund tax. The idea seems to have been to have all the outstanding notes, for the time being, with the advance, made secure by outstanding taxes, so that the latter, when collected, should sink the former. I know not whether these taxes were all gathered in accordance with the original intention. As they were levied in gross sums, and required additional legislation for their apportionment, according to lists, very possibly they were not. But I have met with no law, till after the Revolution, for their postponement, in the manner which was common in Massachusetts.\*

After 1710, the rates of the General Court could not be satisfied with country pay. They must be discharged with bills of credit, or coin at current rates, as has been mentioned. In October, 1719, however, a new practice was introduced, recognizing the bills of other colonies, which now formed a part of the common currency. The regular tax of that session might be paid “in bills of credit of this Colony, with the usual advance, or in the true bills with four signers of the Province of the Massachusetts Bay, [the larger bills had four signers,] or in the true bills of New York, Rhode Island, or New

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\* Felt, 63.

Hampshire, without any advance upon them," &c. There was, at this time, much complaint of the want of a "medium of exchange," though paper money was so abundant that it took twelve shillings to buy an ounce of silver. For the purpose, probably, of mitigating the evil, the General Court made the customary tax levied in October, 1720,\* payable either in the currencies allowed the year before, or in "grain at the following prices, viz: wheat at four shillings and six pence per bushel, rye at two shillings and nine pence, Indian corn at two shillings and three pence, all to be good and merchantable." The same latitude was permitted in the two or three years that followed, when "country pay" once more fell into discredit. The paper money of the neighboring colonies was still received, to a greater or less extent, always, however, without the five per cent. premium. The bills of New Hampshire and Rhode Island were the first to be discredited at the public Treasury.

I have said that, at first, there was no law making the colonial credit bills a legal tender for private debts. Doubtless,

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\* It was at about this time that the "South Sea Scheme" in England, and the "Mississippi Bubble," including John Law's bank in France, exploded. The financial troubles in Europe may have wrought disorder in the colonies. Law's bank was at first a private institution, chartered in 1716. Considered with reference to its avowed objects, it was not calculated to excite apprehension. It was authorized to discount bills of exchange, to keep accounts with merchants, and issue notes payable to bearer in coin "of the weight and denomination of that day," (date of the charter.) For a time, it was immensely successful. But in January, 1719, it was taken into the hands of the government, then much involved in debt, and became the Royal Bank, with Law for chief director. A year later, according to the general plan of its founder, it was united with the "India Company," under the same management. This company grew out of Law's scheme to develop the wealth of Louisiana and the Mississippi valley, and aimed to control a large proportion of the foreign trade of France. The bank was to provide the money for the greatest and grandest enterprise of that day. Not long after the union, the bubble burst.

John Law was a gamester, libertine, speculator and enthusiast, but still a man of genius. He understood the laws of finance better, perhaps, than any man of that age; but he labored under the fatal delusion that money is wealth, the source of all wealth—a delusion from which the popular mind has not yet escaped. See "The Mississippi Bubble: A Memoir of John Law." By A. Thiers. Translated, and published in New York, in 1859.

the government questioned its authority to pass such a law. It is true, the authority had been often exercised, rightfully or wrongfully, in the Massachusetts Bay; but Massachusetts had lost her charter. Connecticut had a more precious one which she wished to save. Though never more delighted than when "trotting after the Bay horse," yet, she was not now prepared for such a break-neck adventure. Her legislators had long acted on the belief that discretion was a wise and remunerative, if not valiant, virtue. And yet they wanted all the supposed benefits of their favorite currency, without the embarrassments which "evil disposed persons" sometimes placed in its way. The question was how, in the legitimate exercise of their authority, they could make their bills of credit not a lawful but an accepted tender—how they could constrain men to receive them voluntarily, by simply withholding law. The following act, passed October, 1718, shows how ingeniously they could solve the problem. It is entitled "An Act for the further encouraging the currency of the bills of public credit, and for preventing the oppression of debtors," and reads as follows:

Whereas by reason of the great scarcity of money, and other adequate media for \* \* \* carrying on the affairs of the government, the government did, several years since, project and order the making and emitting of bills of public credit, to be accepted and received in all public payments equivalent to money, with the advance of five pounds per cent. thereon, upon good and sufficient funds granted for the calling in and answering of the same, which bills have likewise obtained a universal currency throughout the government in all private trade and dealing, and are found beneficial and serviceable for facilitating of the same, the whole course of trade from the year 1709 having been generally managed and regulated thereby, and all debts since made and contracted (where there has been no special agreement and contract otherwise) generally understood to be contracted for the said bills,—

Now, that encouragement may be given to the said bills in the way of private commerce and dealings, and to prevent oppression by the rigorous exaction of money (which cannot be procured but with great difficulty) for debts contracted with the real intent both of debtor and creditor, to be paid in said bills, though not expressly mentioned:

Be it therefore enacted [&c.] that from and after the first day of November now next ensuing, no debtor for any debt made and contracted since the twelfth day of July, 1709, or that shall be made and contracted before the twelfth day of July, \* \* \* 1727, (express contracts in writing for current silver money, or some speciality always excepted,) that shall tender satisfaction and



payment of his full debt in good and lawful bills of credit of this Colony, shall be liable to have execution served and levied upon his estate or person, or be imprisoned upon any recovery of judgment to be granted against him for such debt, any law, usage or custom to the contrary notwithstanding.

I presume this law was effectual, and all "rigorous exaction" and "oppression" prevented. It worked so well that the time limited for its operation was afterward extended from 1727 to 1735.

There are many circumstances to excuse, if not justify, Connecticut in her course when first she issued bills of credit. She with the other Colonies was engaged in a bloody and expensive war with the French and Indians, requiring her utmost exertions and all her resources. She saw Massachusetts moving along pleasantly, embarked on a sea of paper money, paying her expenses, in large measure, by promises only. Perhaps her people were beginning to use the bills of their neighbor, and she thought it better to occupy the field herself, and reap the benefits. She showed, too, commendable prudence in her early issues, taxing herself without stint to redeem the whole at no very distant period. If she had stopped her emissions, at the close of the war in 1713, or at any time before 1733, and left the laws then in operation to take their course, comparatively little harm would have been done, so far as her own action was concerned. But the temporary relief which she had undeniably experienced was too fresh in the memory to allow her to stop here. The first effects of a paper inflation are peculiarly exhilarating, and no instance has yet been known of a people once intoxicated recovering their senses in time to save themselves from signal disasters. The sense of public justice is too much weakened for present reform. Those who knew the peril, and would counsel prudence and honesty, are stilled by the din of popular clamor. They who are likely to suffer most are old fashioned, incredulous people, who are without lucrative or influential positions, and have no access to the public trumpet. They find themselves stranded, as it were, on the river's bank, and see the unbelieving throng moving by, pointing the finger and wagging the head at them.

Throughout this business of making paper money, those who



administered the government seem to have been aware that they were standing on ticklish if not dangerous ground. They appeared desirous, in certain cases, that their motives should not be too apparent and their acts too public. They well knew that their course was regarded with disfavor in the mother country, and that the eyes of the authorities were upon them. The Proclamation of Queen Anne, in 1704, and the Act of Parliament which followed it, in 1707, were proofs of the jealousy with which experiments on the currency were regarded. In 1720, the colonial governors in America were instructed to allow of no paper issues which were not necessary to meet the charges of government. In Massachusetts, there was a struggle between the Governor and Council on the one side, and the House of Representatives on the other, one opposing and the other favoring the emissions of bills of credit. Wearied out by his fruitless endeavors to stem the torrent, Gov. Shute returned to England, leaving Lt. Gov. Dunmer to encounter the same difficulties. To settle the controversy, Gov. Burnet, in 1728, was directed not to "assent to or pass any act, \* \* \* whereby bills of credit may be struck or issued in lieu of money, without a clause be inserted in such act, declaring that the same shall not take effect until \* \* \* approved by the English government."\* Under these circumstances, Connecticut, having much at stake, was naturally cautious. She doubtless thought that emissions of notes to be exchanged for an old impression were least likely to give offense; and while supplying bills for so good a purpose, could see no wrong in printing a few, at her own cost, for treasury expenses. But the time at last came when a change of plan seemed expedient. The torn and counterfeit bill-system had worked well for a season, but something new was demanded. Connecticut, thought the "progressionists" of that day, was behind the age, and too timid to win laurels in the race of civilization. There was an urgent demand for paper money, and her authorities could find no acceptable way of supplying it. Massachusetts was more inventive—more fruitful of methods—and who could doubt her finan-

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\* Felt's Mass. Currency, p. 85.

cial ability? In 1714, her government, after a severe contest between the advocates of hard money and paper money, and partly for the purpose of heading off a scheme for a private bank of issue, emitted £50,000 in province bills which were to be loaned, on mortgage security, at five per cent. interest, the principal to be paid in five equal annual installments. In 1716, she issued and loaned £100,000, the yearly interest of which was to help support the government. Rhode Island adopted a similar system in 1715. After a bitter controversy, which distracted communities and even divided families, she issued and loaned £40,000. Thus was established the "first bank" of Rhode Island, so called. The "second bank," which was like unto the first, was established in 1721, and the "third bank," of £40,000, in 1728.\* Others followed, and the "ninth bank" was born before the race became extinct, their designations reminding us, strangely enough, of certain model institutions of our day, and proving that history but repeats itself.

In May, 1726, the Massachusetts plan found earnest advocates in the General Court of Connecticut, the Lower House favoring and the Upper House opposing it. Two years later, or in May, 1728, a scheme was embraced in the Lower House and a bill passed to emit and loan £50,000 for ten years; but it was rejected by the Council. The friends, however, of a more liberal provision of paper money were not discouraged. They were persons of decayed fortunes and large obligations, who found that the more depreciated the currency, the easier debts were discharged. Men of this class having a personal and selfish object in view, were more persevering than those that opposed them on public grounds.†

In 1730, an association was formed in New London for commercial operations.‡ It embraced many of the leading

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\* Arnold's History of Rhode Island, II., pp. 53, 56, 59, 95.

† "All our paper money making assemblies," writes Dr. William Douglass, of Massachusetts, "have been legislatures of debtors, the representatives of people who for incogitancy, idleness and profuseness have been under the necessity of mortgaging their lands." Summary History of North America, I., 310.

‡ Miss Caulkins' History of New London, second edition, p. 243. I think Miss C. is mistaken when she says that "loans were obtained [by the asso-

men of the Colony, and was able to command a large political influence. Through this influence, it is said, a most extraordinary charter was obtained from the General Assembly, in May, 1732. Thomas Seymour, John Curtiss, John Bissel, Solomon Coit, and fifty-seven others were incorporated with the name of the "New London Society united for Trade and Commerce." Soon the society began to issue bills of credit, in the likeness of the colony bills, in imitation of what had been done, in defiance of the General Court, several years before, in Boston.\* The notes bore the date of October, 25th, 1732,† were to run twelve years, and were "put off and sold \* \* as a medium of trade current, and equal in value to silver at sixteen shillings per ounce," &c. According to Miss Caulkins, they "were hailed by the business part of the community with delight." Some others regarded them with suspicion, and there was a great commotion in the land. The authorities were alarmed, and Gov. Talcott, appreciating the emergency, convened the Legislature in special session. It met in February, 1732<sup>2</sup>, inquired into the circumstances and proceedings of the society, and repealed its charter. At the same time, a law was passed making those who should emit bills of credit, based on any individual or society fund, "subject to the same pains and penalties as those guilty of forging or counterfeiting," &c. This legislation, added to misfortunes in trade, killed off the society. And for the relief of those who had come into possession of its nearly worthless bills, the following action was had. I copy it as a specimen.

"The question was put, whether it be not expedient (*sic stantibus circumstantiis*) to emit " £30,000 in bills, "part thereof to be tendered to such persons as this Assembly shall appoint, and shall give security for the drawing in of the bills lately emitted by the New London Society, and the other part of the

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ciation] from the public Treasury;" for I do not find that the government made any loans except to those who, at the time of its failure, were members of the company, had mortgaged their lands to it, and been made liable for its bills.

\* Felt's Mass. Currency, p. 71.

† So says Miss Caulkins; but there is one of the bills in the possession of the Conn. Hist. Society which has the date of August, 1732.



said sum to be let out for the benefit of the government, all to be on such security, and for such a time or times, and for such interest and with such distinction from other bills in such form as this Assembly shall order and appoint. \* \* \* Resolved in the affirmative."

"Whereas this Assembly hath ordered that £30,000 in bills of credit on this colony shall be emitted, it is now further Resolved, that his Honor the Governor and Nathaniel Stanley, Esq., be desired to procure some meet person to stamp the said bills as soon as may be."\*

At the next session of the Assembly, in May, 1733, it was ordered that £15,000 out of the £30,000 should be loaned, £3,000 in each of the five counties, on mortgage security of double value, in sums of not under fifty or over one hundred pounds, payable May first, 1741, or earlier at the pleasure of the borrower, at six per cent. annual interest, bonds to be given for interest, and each town to have of the money in some measure in proportion to its list of polls and estate. At the same session it was enacted that £20,000 in bills should be stamped, "to be done on the new plate, of the tenor of our former bills," the same to be ready by the next session in October.

The legislation is exceedingly brief concerning the last £20,000, and in striking contrast with that which was usual on such occasions. The Assembly does not condescend to give any reason, or announce any purpose or end which is to be subserved. Nor do I find anything to throw light upon the subject on the subsequent pages of the record. From the silence which is observed, it would be natural to infer that the contemplated issue had never been made. Almost as much may be said of the £30,000 authorized in the preceding February. There is an absence of the customary details of legislation, by which the inquirer is much perplexed. And what is particularly worthy of notice, in this connection, is the fact that neither of the laws providing for these large emissions of bills was printed with the other laws in conformity with the uniform practice up to that time. The act ordering the printing of the £30,000

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\* Assembly's Record, Vol. VI., p. 114.



was the concluding part of the act repealing the charter of the New London Society; and yet, the first part was printed and the last suppressed. Thenceforward, all the laws ordering paper issues were overlooked when the statutes came to be published.

Several years later, the fact came out, in answer to certain inquiries of the English Board of Trade, that the bills provided for by the acts of Feb., 1732 $\frac{2}{3}$ , and May, 1733, amounting in the whole to £50,000, were, with a trifling exception, all loaned after the manner of the £15,000, either to those bringing in the notes of the New London Society, or to others. On examining the record of deeds of New Haven, I find that £2,250 were loaned, on mortgage, (in one instance five hundred pounds to one individual,) in New Haven, between September seventh, 1733, and May seventh, 1734. It appears from the same record that the notes given for the money were redeemable, some on the first day of May, 1741, others on the first day of May, 1742, and were to be paid, in some cases, in silver at twenty shillings per ounce, or in new bills of public credit; in other cases, in silver at twenty shillings, or gold equivalent, or colony bills, &c.

There are conceivable motives for this blind and summary way of doing up the public business which related to currency matters, and good reasons why the Assembly should not seek unnecessary publicity. They consulted their own convenience, preferred to manage their own affairs, and like others, did not wish to have their favorite plans interfered with. They had an advantage over Massachusetts, New York, and other colonies, in not having, in their government, a representative of the King to report their misdoings. And naturally enough, they were not themselves anxious to declare what would not benefit them if known.

I should not be willing to say that the evil deeds of the New London Society and the condition of its suffering creditors were the mere pretext, and not the true reason for establishing a government land bank, so called. And yet, the occasion seems to have been eagerly embraced, to supply the urgent demand for a "medium of exchange." There was a strong outside pressure upon the Assembly. The people were infatuated,

made so by paper money, and thought their temporal salvation depended on their having a more liberal supply of bills of credit. And perhaps the government felt constrained either to issue notes itself, or to consent to its being done by some New London or other irresponsible company.

In October, 1735, the counterfeiters, notwithstanding the severity of the law against them, had been again at work. The bills outstanding of five pounds, two pounds, ten shillings and two shillings had been counterfeited, and the Assembly ordered the emission of £25,000 to be stamped on the new plates, with the date of 1735 "in some proper place," the new impression to be exchanged for the old. A part of these were used as those previously printed for a similar purpose had been. They were found convenient for the ever recurring wants of government.

From October, 1735, to May, 1740, no new issues were authorized. But during this period, opinion seems to have been undergoing a change, running in favor of some new plan to prevent depreciation. In October, 1739, when silver had come to be worth, in currency, twenty-nine shillings per ounce, a bill was introduced into the Assembly ordering a new emission of £10,000. They were to be "legal tenders," as I infer; the form given for the note declaring that it "should pass current in the Colony of Connecticut." The bill passed the Upper House, but the Lower House dissented, perhaps because the sum was too small.

In October, 1739, England declared war against Spain, the assistance of the colonies was demanded, and Connecticut was involved in heavy expenses. In May, 1740, £4,000 in bills were ordered to be struck off, from the new plate, in value from ten shillings to five pounds, and bearing the date of the Assembly then in session. They were to be paid out, in the language of the record, as "premia" for volunteers in the expedition against the Spanish West Indies. In July following, £15,000, in all respects similar, were authorized, £10,000 for general expenses, and £5,000 to be exchanged for the notes issued before 1733, and for torn and defaced bills. At the same time, a tax of £10,500, to call in the £10,000 at the advance, was laid, payable August 31st, 1750, colony bills or

current money to be received in payment. These emissions were the last of those called *old tenor*, unless the £3,000 issued in May, 1746, from the "*old plate*," were of this kind. Including the last sum, the whole amount of the old tenor bills was £178,000. A portion of these, however, including considerable sums of exchange bills, were never issued.

I here transfer what purports to be an "account of the several yearly emissions of paper bills, \* \* \* and what has been yearly drawn in again," showing the outstanding balances from year to year. The paper is signed by Gov. Talcott :

*To the Right Hon<sup>ble</sup> Lords Commissioners for the Board of Trade  
and Plantations.*

May it please your Lordships—In pursuance of your Lordships desire by a letter from Whitehall, dated the 5<sup>th</sup> of July last past, I herewith send the account of the several yearly emissions of paper bills that has from time to time been paid out by this Colony, and what has been yearly drawn in again, and the sum total in bills of credit that are now outstanding. And as this Colony is a place of but small trade, compared with the Province of the Massachusetts Bay, I must beg leave to refer your lordships to the account you shall receive from that Province for the value of gold and silver yearly as compared with our paper currency, that Province governing in the affair of exchange between us and England, and our paper bills always passing at an equal value with the bills of that Province.

The account is as follows, viz. :

The first emission was in the year 1710* for defraying the charges that had arisen on the expedition to Canada,		£18,941 : 0 : 6		Drawn into the Treasury by a tax on the inhabitants in the Colony, clear of all charges,		£5,202 : 0 : 9	
				Remains outstanding,		13,738 : 19 : 9	
						18,941 : 0 : 6	
What remained outstanding last year,		13,738 : 19 : 9		Drawn in by a tax,		5,298 : 8 : 8	
And the Colony emitted, 1711,		10,246 : 9 : 6		Remains outstanding,		18,687 : 0 : 7	
		23,985 : 9 : 3				23,985 : 9 : 3	
Remained outstanding last year,		18,687 : 0 : 7		Drawn in by a tax,		4,362 : 19 : 3	
And the Colony emitted, 1712,		9,312 : 10 : 0		Remains outstanding,		23,636 : 11 : 4	
		27,999 : 10 : 7				27,999 : 10 : 7	
Remained outstanding last year,		23,636 : 11 : 4		Drawn in by a tax,		3,459 : 0 : 0	
Emitted by the Colony, 1713,		4,000 : 0 : 0		Remains outstanding,		24,177 : 11 : 4	
		27,636 : 11 : 4				27,636 : 11 : 4	

\* The first bills were authorized in June, 1709, but were not, it seems, printed and put in circulation till the following year.



Remained outstanding last year,	£24,177 : 11 : 4	Drawn in by a tax,	£2,301 : 18 : 0
Emitted by the Colony, 1714,	1,000 : — : —	Remains outstanding,	22,875 : 13 : 4
	<u>25,177 : 11 : 4</u>		<u>25,177 : 11 : 4</u>
Remained outstanding last year,	22,875 : 13 : 4	Drawn in by a tax,	2,855 : 13 : 4
Emitted by the Colony, 1715,	2,000 : 0 : 0	Remains outstanding,	22,190 : 0 : 0
	<u>24,875 : 13 : 4</u>		<u>24,875 : 13 : 4</u>
Remained outstanding last year,	22,490 : 0 : 0	Drawn in by a tax,	3,808 : 10 : 1
Emitted by the Colony, 1716,	5,000 : 0 : 0	Remains outstanding,	23,681 : 9 : 11
	<u>27,490 : 0 : 0</u>		<u>27,490 : 0 : 0</u>
Remained outstanding last year,	23,681 : 9 : 11	Drawn in by a tax,	4,027 : 10 : 5
Emitted by the Colony, 1717,	789 : 7 : 6	Remains outstanding,	20,433 : 7 : 0
	<u>24,470 : 17 : 5</u>		<u>24,460 : 17 : 5</u>
Remained outstanding last year,	20,433 : 7 : 0	Drawn in by a tax,	2,553 : 1 : 10
Emitted by the Colony, 1718,	2,500 : 0 : 0	Remains outstanding,	20,080 : 5 : 2
	<u>22,933 : 7 : 0</u>		<u>22,933 : 7 : 0</u>
Remained outstanding last year,	20,080 : 5 : 2	Drawn in by a tax,	2,909 : 10 : 8
Emitted by the Colony, 1719,	2,651 : 0 : 6	Remains outstanding,	19,821 : 15 : 0
	<u>22,731 : 5 : 8</u>		<u>22,731 : 5 : 8</u>
Remained outstanding last year,	19,821 : 15 : 0	Drawn in by a tax,	6,401 : 14 : 1
Emitted by the Colony, 1720, at two emis- sions,	4,407 : 18 : 3	Remains outstanding,	17,827 : 19 : 2
	<u>24,229 : 13 : 3</u>		<u>24,229 : 13 : 3</u>
Remained outstanding last year,	17,827 : 19 : 2	Drawn in by a tax,	3,183 : 5 : 9
Emitted by the Colony, 1721,	2,842 : 13 : 4	Remains outstanding,	17,487 : 6 : 9
	<u>20,670 : 12 : 6</u>		<u>20,670 : 12 : 6</u>
Remained outstanding last year,	17,487 : 6 : 9	Drawn in by a tax,	3,488 : 11 : 4
Emitted by the Colony, 1722,	3,500 : 0 : 0	Remains outstanding,	17,498 : 15 : 5
	<u>20,987 : 6 : 9</u>		<u>20,987 : 6 : 9</u>
Remained outstanding last year,	17,498 : 15 : 5	Drawn in by a tax,	5,506 : 0 : 7
Emitted by the Colony, 1723,	4,839 : 3 : 9	Remains outstanding,	16,831 : 18 : 7
	<u>22,337 : 19 : 2</u>		<u>22,337 : 19 : 2</u>
Remained outstanding last year,	16,831 : 18 : 7	Drawn in by a tax,	6,168 : 14 : 5
Emitted by the Colony, 1724,	4,000 : 0 : 0	Remains outstanding,	14,663 : 4 : 2
	<u>20,831 : 18 : 7</u>		<u>20,831 : 18 : 7</u>
Remained outstanding last year,	14,663 : 4 : 2	Drawn in by a tax,	4,088 : 18 : 11
Emitted by the Colony, 1725,	1,624 : 2 : 6	Remains outstanding,	12,198 : 7 : 9
	<u>16,287 : 6 : 8</u>		<u>16,287 : 6 : 8</u>
Remained outstanding last year,	12,198 : 7 : 9	Drawn in by a tax,	6,299 : 13 : 10
Emitted by the Colony, 1726,	2,076 : 1 : 1	Remains outstanding,	7,974 : 15 : 10
	<u>14,274 : 8 : 10</u>		<u>14,274 : 8 : 10</u>



Remained outstanding last year,	£7,974 : 15 : 0	Drawn in by a tax,	£4,284 : 5 : 5
Emitted by the Colony, 1727,	6,583 : 12 : 1	Remains outstanding,	10,274 : 1 : 8
	<u>14,558 : 7 : 1</u>		<u>14,558 : 7 : 1</u>
Remained outstanding last year,	10,274 : 1 : 8	Drawn in by a tax,	4,559 : 19 : 2
Emitted by the Colony, 1728,	3,505 : 16 : 9	Remains outstanding,	9,219 : 19 : 13
	<u>13,779 : 18 : 5</u>		<u>13,779 : 18 : 5</u>
Remained outstanding last year,	9,219 : 19 : 3	Drawn in by a tax,	4,800 : 0 : 0
Emitted by the Colony, 1729,	2,318 : 3 : 7	Remains outstanding,	6,738 : 2 : 10
	<u>11,538 : 2 : 10</u>		<u>11,538 : 2 : 10</u>
Remained outstanding last year,	6,738 : 2 : 10	Drawn in by a tax,	4,889 : 3 : 3
Emitted by the Colony, 1730,	2,531 : 16 : 3	Remains outstanding,	4,380 : 15 : 10
	<u>9,269 : 19 : 1</u>		<u>9,269 : 19 : 1</u>
Remained outstanding last year,	4,380 : 15 : 10	Drawn in by a tax,	5,021 : 18 : 3
Emitted by the Colony, 1731,	5,307 : 15 : 11	Remains outstanding,	4,666 : 18 : 6
	<u>9,688 : 11 : 9</u>		<u>9,688 : 11 : 9</u>
Remained outstanding last year,	4,666 : 13 : 6	Drawn in by a tax,	5,404 : 6 : 3
Emitted by the Colony, 1732,	3,291 : 8 : 5	Remains outstanding,	2,553 : 15 : 8
	<u>7,958 : 1 : 11</u>		<u>7,958 : 1 : 11</u>
Remained outstanding last year,	2,553 : 15 : 8	Drawn in by a tax,	4,194 : 3 : 6
Emitted by the Colony, 1733,	3,689 : 2 : 3	Remains outstanding,	2,048 : 14 : 5
	<u>6,242 : 17 : 11</u>		<u>6,242 : 17 : 11</u>
Remained outstanding last year,	2,048 : 14 : 5	Drawn in by a tax,	2,715 : 5 : 4
Emitted by the Colony, 1734,	3,150 : 2 : 6	Remains outstanding,	2,483 : 11 : 7
	<u>5,198 : 16 : 11</u>		<u>5,198 : 16 : 11</u>
Remained outstanding last year,	2,483 : 11 : 7	Drawn in by a tax,	2,820 : 15 : 4
Emitted by the Colony, 1735,	3,161 : 5 : 1	Remains outstanding,	2,824 : 1 : 4
	<u>5,644 : 16 : 8</u>		<u>5,644 : 16 : 8</u>
Remained outstanding last year,	2,824 : 1 : 4	Drawn in by a tax,	3,071 : 0 : 11
Emitted by the Colony, 1736,	1,500 : 0 : 0	Remains outstanding,	1,253 : 0 : 5
	<u>4,324 : 1 : 4</u>		<u>4,324 : 1 : 4</u>
Remained outstanding last year,	1,253 : 0 : 5	Drawn in by a tax,	2,959 : 6 : 6
Emitted by the Colony, 1737,	7,445 : 2 : 10	Remains outstanding,	5,738 : 16 : 9
	<u>8,698 : 3 : 3</u>		<u>8,698 : 3 : 3</u>

And by the foregoing account your Lordships may see that there is, to the year 1737, outstanding bills, emitted for defraying the necessary charges of the Colony, but the sum of £5,738 : 16 : 9, and the Colony has granted two taxes, one for 1738, and the other for 1739, not yet brought into the public accounts, which will near or quite sink the whole of the bills now outstanding. But the Colony has further emitted on loan to the inhabitants as follows, viz. :—

In the year 1733, loaned out by the Colony, on interest, the sum of £49,975 : 4 : 0.	Drawn in by interest, 1734, £ 770 : 18 : 11
	Do. more, 1735, 3,666 : 9 : 2
	Do. more, 1736, 3,070 : 10 : 1
	Do. more, 1737, 2,961 : 18 : 11
	Do. more, 1738, 2,903 : 17 : 0
	Do. more, 1739, 3,007 : 0 : 8
	16,389 : 14 : 9
Remains outstanding of the money loaned out,	33,594 : 9 : 3
	£49,975 : 4 : 0

And also the sum of £33,594 : 9 : 3, in loan money, which, added to the foregoing sum of £5,738 : 16 : 9, makes in the whole bills of credit outstanding in this Colony, the sum of £39,333 : 6. This being the exactest account can be made in the affair saving errors, I hope will be agreeable to your Lordships' request, and in conformity to the address of both Houses of Parliament to his Majesty relating therunto, which is all at present, with my most dutiful respects to your Lordships, and am,

Your most obedient humble servant to command,

Dated at Hartford, in the Colony of Connecticut,  
in New England, Jan. 12, 1734.

J. TALCOTT.\*

This is an interesting paper, but nevertheless incomprehensible in several particulars, and not easily reconciled with certain facts. Its careful perusal suggests several observations.

1. The reader is struck with the smallness of the outstanding balances, from year to year, particularly during the latter part of the time previous to 1733. While the currency was steadily depreciating, the bills outstanding are represented to be diminishing, running down from £24,177:11:4, at the close of 1713, when it took eight shillings and six pence in paper to buy one ounce of silver, to £2,553:15:8, at the end of 1732, when twenty shillings in bills would purchase the same amount of silver. In the year last named, the notes still outstanding were not half equal to the amount called in by tax during the year. The addition of fifty per centum to the sinking fund tax, for a single year, would have provided means to redeem the whole. What folly to endure the miseries of a depreciated currency, when the remedy was so easy!

2. I can see no propriety in leaving out of the table the £49,975 : 4 in bills "emitted on loan in 1733," these being as truly "outstanding," and doing as much to swell the currency, as the others.

\* MSS. in State Library—Finance and Currency, III., 83.

3. It will be observed that the annual payment on account of taxes, and also for interest on the loaned bills, is deducted from the amount of outstanding bills in order to show the balance still in circulation. This is as it should be, provided the receipts were all in Connecticut notes, and these notes were not again put in circulation. But the payments were made in any money which was current in New England, and the colony bills, whether from taxes or loans, were paid out again to a very large extent. Having been deducted as above, and once more put in circulation, they should have been included in the annual emissions. But were they thus included? The answer will appear from what follows: The whole amount of the authorized emissions down to 1737, inclusive, was £156,000. Deducting from this sum the £49,975:4:0, in bills which were loaned, and there remains £106,024:16:0, to be accounted for in the table. But the table shows a total of emissions of £119,214:12:7. This excess of the actual over the authorized issues, amounting to £13,189:16:7, must be due to reissues. But is it possible the reissues were no greater? They certainly were, judging from the acts of the Assembly. But may not the discrepancy be accounted for by supposing that a portion of the £106,024:16:0 in bills was never emitted, thus leaving a larger balance for re-emissions?

Dr. Trumbull, a conscientious and industrious historian, whose mistakes must be due to the disadvantages under which he wrote, describes the period between 1713 and 1739, as a time of much prosperity. No general war scourged the land, and the people were contented and happy. There was a considerable increase of population, and trade was enlarged. The colonial finances, the Doctor thinks, were managed with prudence, and the bills of credit suffered "little or no depreciation."\* In this last particular the facts are not in accordance with the representation. The currency, during the whole of this period, was, in truth, undergoing a rapid and fatal depreciation. Proofs of this could be gathered from the Doctor's own pages. Evidence, too, might be found in the

course which legislation took—in the rising prices of commodities—in the law to circumvent creditors, and prevent the “rigorous exaction of money,” &c. But there is more decisive testimony. The old families of that day took pride in silver tankards and other descriptions of plate. When a wealthy man died, you might expect to find, in the inventory of his effects a certain number of ounces of silver ware. This was valued at so much per ounce in currency. Instances of the kind, in sufficient number, may be gathered from the Probate records of New Haven. The following facts have been obtained from that source. (Uncoined silver was estimated to be worth, in the depreciated coin of that day, at the rate of eight shillings per ounce, as has already been mentioned.)

1708, September,	one ounce of plate	was worth	8s.	in currency.
1710, May,	“	bullion	“	8s.
1721, May,	“	plate	“	12s.
1724, July,	“	silver	“	15s.
1729, July,	“	“	“	18s. 2d.
1732, May,	“	“	“	18s.
1739, June,	“	“	“	26s.
1742, December,	“	“	“	26s. 4d.
1742, December,	“	“	“	28s.
174 $\frac{2}{3}$ , February,	“	“	“	28s.
1744, December,	“	“	“	32s.
174 $\frac{4}{5}$ , January,	“	“	“	32s.

These prices of silver, as measured by the paper money of Connecticut, correspond so closely with the figures in certain tables in Felt's Massachusetts Currency, and in Belknap's History of New Hampshire, as to furnish proof, were any needed, that the depreciation in these several colonies was the same, and that, practically, one currency was common to all. In other words, the bills of each must have circulated freely in the others, at a common par value; for it is an axiom of financial science that two or more currencies of different intrinsic or exchangeable values cannot circulate together at the same nominal value. The poorer will drive out the better, and become the sole medium of exchange, and the accepted standard of value. This principle, as simple and obvious as it is, is not yet recognized by the popular mind. People wondered,



twenty months ago, when they saw "gold going up," as the phrase is. They wondered still more, a few months later, when silver change became scarce. When the "nickels" \* disappeared, their astonishment was mingled with indignation. It was somebody's fault, and the avaricious Jews were denounced, in the customary style. The issue of a few million of smaller "shin plasters," of the same proportional value as the larger, cured the difficulty, and the poor Jews were again in good standing.

Our own Assembly, as I have already said, authorized the people, for many years, to pay their county rates in good bills of the other colonies. This would not have been done had these bills been worth, in the market, either more or less than the home currency. So soon as the credit of any of these bills got shaky, as compared with the home standard, they were discarded. All met with a common fate at last.

The current coin, as I have already stated, was worth only eight shillings per ounce. It was by this standard that silver bullion was measured, and with which bills of credit were compared. Reckoned by the accepted standard, bills which were at par in 1710, gradually depreciated till 1714, when it took nine shillings in currency to purchase an ounce of silver. Up to this period and after 1703, it is estimated that Massachusetts had emitted £194,000; while up to the same period Connecticut had emitted (not counting issues in way of exchange, or re-issues,) say, £38,000, Rhode Island £13,300. In 1724, Massachusetts had, (see Felt, page eighty,) out of a total issue of £397,006 : 0 : 1, £201,201 : 10 : 10 in circulation; while, in the beginning of the same year, Connecticut had emitted in all, (leaving out bills exchanged and re-issued,) say, £52,929 : 8 : 6, and had

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\* Since the above was written, I have inquired into the intrinsic value of nickel cents. According to the New American Cyclopaedia, they are composed of twelve per cent. nickel and eighty-eight per cent. copper. Supposing the former metal to be worth three dollars per pound, and the latter forty cents, (about their present prices,) the nickel cent is worth, for the metals it contains, about six and two-thirds mills, in currency. According to this, those who withdrew them from circulation were mistaken as to their intrinsic value. As I understand it, the mint is still coining them. (This note was written in January, 1864.)

in circulation, according to a report made to the British government, in 1734, £16,831 : 18 : 7. Comparing the two colonies, the former had twelve times as many outstanding bills of credit as the latter, while its population was about one half greater. It is true that the Massachusetts people were richer and of a more commercial character than those of Connecticut, and needed more currency on that account. But making every proper allowance, it may be safely charged that the depreciation of the circulating medium in 1724, when silver was worth sixteen shillings and six pence per ounce, or more than two for one, and for several years afterwards, was chiefly owing to the reckless imprudence of Massachusetts. Connecticut was traveling the same dangerous road, trotting after the Bay horse in her modest way, but yet having the good sense to keep far in the rear. Her position was, doubtless, in part, owing to the agricultural pursuits and traditional habits of her people. They were free from some of the vices of more commercial and "progressive" populations. "They were," says Dr. Douglass, "a colony of sagacious, laborious husbandmen," governed "by men of wisdom and probity."\* They did not ride fast horses, knew of no royal road to wealth, and till corrupted by paper money, were not given to speculation.

It is easy to understand how the apparent prosperity, of which Dr. Trumbull speaks, might be favored by a depreciating currency. Whilst this depreciation is going on, there is an unceasing flow of wealth from the pockets of one class of society to those of another—a transfer of values from the creditor to the debtor interest. This is done by the magic influence of paper money—a kind of money which has no intrinsic worth, and which represents no labor and no certain value. If a farmer sell his corn, oats and hay for so many pounds in a currency which will exchange for one hundred ounces of silver, or one hundred days labor, and gets his pay when his pounds will purchase but fifty ounces, equivalent to fifty days labor, he is defrauded of half his crop. All those who take notes, bonds, mortgages and other securities,

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\* Summary, I. 508. II. 15, 20.

payable at a future day, in money, as well as those who live on fixed salaries and annuities, are defrauded in a similar manner. Thus property passes out of the hands of those who have obtained it by industry and good management, and is delivered over to enrich, without effort or sacrifice on their part, a very different class. Under these circumstances, the more a man owes for value received, the better he is off. If he can borrow to an adequate extent, and his debts become sufficiently large, he may come out a nabob in wealth. And when borrowers and adventurers become opulent, things begin to move. That country is always outwardly prosperous where debtors are living at the expense of their creditors, or where speculators, by means of depreciated and depreciating notes, can control the earnings and products of the industrious classes. But prosperity of this kind is never real, never durable. Connecticut paid dearly for all the thrift she got out of her paper money. The day of reckoning came at last!

It is when a redundant currency is being reduced, and the people are endeavoring to get back upon a specie basis, that manifest a wide spread distress prevails. It is then that the nominal pound or dollar becomes more and more valuable, representing more and more labor. Money appreciates, or, what amounts to the same thing, everything else depreciates. Paper values melt away, property shrinks in proportion to the currency, goods bought at a high figure must be sold at a sacrifice, and the financial world is threatened with shipwreck. Under these circumstances, everybody wants to sell for cash. The sellers rush into market, each trying to escape loss, and each seeming conscious that the devil takes the hindmost. Of course there are no buyers, and prices go down, down. Confidence is destroyed, those who owe money cannot get it, and many men who fancied themselves rich return to nothingness. During all this time, wealth would flow from the debtor to the creditor class, but the numerous failures stop the current, and the latter are rarely gainers. It is in the bankruptcy, repudiation, and general chaos which wind up a financial crisis that we may best read the true nature of paper money inflations.



## CHAPTER IV.

## NEW TENOR EMISSIONS. GREAT DEPRECIATION.

IN May, 1740, it required twenty-eight shillings in paper to buy an ounce of silver, and Connecticut undertook the work of reform. And it is curious that the same expedient was fallen upon that had been repeatedly tried, without success, by Massachusetts.\* The remedy was sought in the same direction whence the evil had come, to wit: in novel legislation, and new emissions of paper, on the principle "*similia similibus curantur*." The public mind had been debauched by a depreciated currency, and there was not, at this stage, virtue or firmness enough for any reform which required self-sacrifice. The authorities preferred to go on in their downward career, enacting impotent laws, and fulminating "bulls against the comet." As the result of their deliberations, the Assembly ordered that £30,000 should be emitted, in value from one shilling to three pounds, giving as a reason the charges of the expedition to the West Indies, &c., and the "great scarcity of a medium of exchange, the same bearing a very small proportion to the extent of the demand therefor." The bill was to read as follows:

No.

This Bill, by a law of the Colony of Connecticut, shall pass current within the same for twenty shillings, in value equal to silver at eight shillings per ounce, Troy weight, sterling alloy, in all payments, and in the Treasury. Hartford, May 8th, 1740.

A. }  
B. } *Committee.*  
C. }

"Said bills [continues the Act] shall pass current in this Colony in all payments and in the Treasury, equal to the value therein expressed, excepting for the discharge of former con-

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\* Felt on Massachusetts Currency, p. 64.



tracts by speciality for silver." £8,000 of the sum were to be employed for discharging the public debts, to be paid out as equivalent to silver at eight shillings per ounce. At the same time, a sinking fund tax of £8,400 was laid, payable within five years, in five equal annual installments, the same to be paid in bills of this issue at one shilling in the pound advance, or in silver money at eight shillings the ounce, or in gold equivalent, or in colony bills of other issues at their value in silver at eight shillings. And to make everything fast without the aid of further legislation, the Treasurer was directed to send forth his warrants, at the proper times, for the collection of the tax. The remaining £22,000 were to be loaned to freeholders of the Colony, in sums of not under twenty-five nor over one hundred pounds, on mortgage security of double value, or on bond with two sureties, at three per cent. annual interest, the principal redeemable half in four and half in eight years, to be paid in the bills of this act, "or in good silver at eight shillings per ounce, or gold equivalent, or in any bills of public credit of this or the neighboring governments passing current in this Colony, according to their current value in silver, at the rate aforesaid, at the time of payment, or in good water rotted hemp, or well wrought canvass or duck raised and manufactured according to \* \* \* a law of this colony, \* \* at the current market price of such hemp, duck or canvass in silver aforesaid."\*

Several months later, a letter dated July fifth, 1740, was received by the government from the Lords Commissioners of Trade and Plantations, requiring the amount and tenor of its bills of credit, asking an opinion as to the best mode of sinking them, and censuring the legal tender provision. At a special session of the Assembly in November, an answer was prepared, which is spread upon the record. It is written in a spirit of loyalty and submission, and is an important document, as will be seen by the quotations:

In obedience to your order of the 20th of May last, an account of bills emitted was sent, to which reference is made. \* \* \* \* About £3,000 of loaned

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\* See the mortgages on record in New Haven.

bills were drawn in for interest for the year 1740, and the whole of the said loaned bills will be discharged by 1742, and the bills that were outstanding in 1739, are near or quite sunk by the taxes of 1738 and 1739. \* \* \*

Your Lordships will see, by the laws herewith transmitted, the tenor of the several bills of credit issued in this government, and the amount of the old tenor bills, in money of Great Britain, by the account, we conclude you have received from the Massachusetts, to which we humbly refer your Lordships, as in the aforementioned accounts is expressed; and the amount of the new tenor bills is discovered by the form of the bill.

We do further acquaint your Lordships that the emission of £4,000, old tenor, and £8,000 new tenor bills, in May last, and £10,000 bills of the old tenor in July last were all granted in complianee with his Majesty's instructions to this government respecting the expedition to the Spanish West Indies, and for the necessary defence of this government, without which it was impracticable for this government to answer his Majesty's instructions. And that the £22,000 new tenor bills which were ordered to be loaned to supply our want of a medium of exchange, is ordered to be paid in, the one half in four, and the other in eight years, and that the bills loaned and to be discharged by the year 1742, and the said £22,000 are the only bills ever loaned by this government.

We also signify to your Lordships, that the most easy and effectual manner of sinking and discharging said bills, according to your Lordships' letter, is, in our opinion, to sink and discharge the same in the manner provided in the several acts passed for the emission thereof, to which we refer your Lordships, by which your Lordships will see that the said bills will be gradually drawn in and sunk; which method we think will be least prejudicial to the inhabitants of this government and interruption to the commerce of the Kingdom.

We do also further acquaint your Lordships that the act of May last for the emission of £30,000 bills of a new tenor, which made it obligatory on all persons to take the said bills in payment of debts, dues, &c., was truly made with an honest and real intent to prevent the said bills from depreciating, which we was the rather induced to by the example of our neighboring government of New York, who, we are informed, by such an act, in a great measure have prevented their bills from discounting, and we were not then in the least apprehensive that the inserting such a clause in that act of May last, was any way inconsistent with or contrary to the act of the sixth year of her late Majesty, Queen Anne, entitled *An act for ascertaining the rates of foreign coin in her Majesty's Plantations in America*, having then had no intimations of his Majesty's intentions, nor of the sense of the House of Commons on that occasion; and as soon as possible after the receipt of your Lordship's letters, we have repealed that clause of the act of May last, which made it obligatory on all persons to take said bills in payment as aforesaid, as your Lordships will see by the act of this Court, passed at the present session for repealing the said clause.

And on the whole, we conclude your Lordships will be of opinion that we have not granted large and frequent emissions of paper currency, and if compared with what some other colonies have done, will appear to be a small proportion, and we do assure your Lordships that we shall take effectual care, as much as in us lies, to pay all due regard to his Majesty's intentions, and to the sense of the House of Commons on this occasion.

While the legal tender clause was repealed, the Assembly was seemingly desirous of withdrawing the new bills from circulation. The Treasurer was directed, as he had opportunity, to exchange old tenor bills of this or the neighboring governments for new tenor, giving in the proportion of two and a half for one. This was to be done during the future sessions of the Assembly. But notwithstanding this apparent eagerness to conform to his "Majesty's intentions," those in authority took good care that the intention of the laws enacted to supply "a medium of exchange" should not be frustrated. The business of putting out on mortgage the £22,000 in loan bills went on as before, as the town records of New Haven prove. By October, 1741, when the exchange above referred to was to begin, a large proportion were probably in circulation. The practice of loaning out again any bills received on account of the old mortgages of 1733, was also continued, as I infer from the same record. From these facts we may conclude that the Assembly had no very earnest desire to get in their loaned bills, or to undo anything that had been done. In confirmation of this view, it may be stated that the payment of the mortgage notes due in 1741, 1742 and 1744 seems to have been postponed.\* I do not find, on record, any release deeds from the Colony indicating payment, between May, 1741, and May, 1746. In May, 1743, a committee reported to the Assembly that there were due to the Governor and Company, on the first loan, £36,270 : 16 : 8½, in old tenor, and on the last loan, £6,671 : 4 : 8, in new tenor. In June, 1747, a like report stated that the first loan amounted to £55,886 : 10 : 7, old tenor, and the last to £24,687 : 4 : 7½, new tenor. In September, 1752, the first sum had been reduced to £665 : 10 : 6, and the last to £11,120 : 6 : 2½. The loan mortgages had not all been paid up in February, 1757, and the mortgagors were to be sued.

One fact, well understood now, was not recognized as an important theoretical principle, a century and a quarter ago.

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\* It will be remembered that the Assembly, when inquired of by the Lords of Trade as to the best manner of sinking their bills, replied that they would be most easily and effectually discharged "in the manner provided in the several acts passed for the emission thereof."



Our fathers knew, empirically, that large additions to the currency, somehow, produced a diminished value of the units composing it; but they did not perceive distinctly how the facts were connected—how the observed effect was brought about. They did not comprehend the great truth that the whole currency of a country, for the time being, has a determinate and uniform value, and that this value is not changed by increasing or diminishing its volume. Indeed, neither its volume or value will be altered by adding to or taking from it, so long as the currency represents labor, and foreign commerce is permitted. If, when the foreign exchanges rule at par, which is certain evidence that a country has its just proportion of money, and all that it needs for its business, you pour into the channels of circulation any additional quantity of coin, it will not be absorbed or incorporated with the mass, but will flow outward to find a market in other lands. This truth is well illustrated by the gold movement of California. The domestic wants of the State having been once supplied, the whole of its immense product is shipped abroad like an article of merchandise. Nor can the currency be dangerously inflated by anything which represents a nearly uniform amount of labor. You may convert all the agricultural products in the country into a circulating medium, and make them a legal tender at fixed rates, and there will be no expansion and no rise of prices, unless, indeed, these products are overvalued. The moment they should fail to exchange for all they were worth in a labor-currency, they would cease to be used as money, or as a means of paying debts, and be sent to market as commodities. In this way they could not fail to bring a fair equivalent.

But the fact is different when the currency is made of paper. Paper money has no intrinsic value. It costs nothing and represents no labor. Nevertheless, it may be made to take the place of coin, and, if issued with sufficient freedom, it will drive all the specie out of circulation. At the same time, if no more paper pounds or dollars are emitted than are necessary to displace the gold and silver coins of the same denomination; in other words, if there are the same number of



pounds or dollars in circulation as before the substitution, the foreign exchanges will not be affected, and the currency will not be depreciated. The paper pounds, though of no intrinsic worth, will have an exchangeable value equal to the coins which have disappeared. This value, however, cannot be augmented. But the volume of a paper currency may be increased, indefinitely. Any addition made to it, being worth something as money but nothing for exportation and nothing as a commodity, will not be withdrawn. On the contrary, it will combine with it, swelling the mass in proportion to the quantity. You may double a currency of paper, or ten fold it; but when this is done, the whole will buy no more, and in this sense will be no more valuable than before. If a million pounds in silver or gold be the exact amount which has been displaced by notes, these notes, whatever their number or denominations, will have a current exchangeable value of one million pounds. This is the law. And in this particular, paper money differs wholly from metallic or other money which is the product of labor; inasmuch as the latter has a value distinct from its uses as a currency, and may always be disposed of as commodity without loss. Thus, a circulating medium which represents a nearly uniform amount of labor cannot be dangerously inflated, nor will it turn to ashes in the hands of its possessor.

When the lawgivers of Connecticut emitted, in 1733, £50,000, and in 1740, £49,000, in bills of credit, they increased the volume, but not the value or efficiency of the general currency. They did not even relieve, except for the moment, the pretended "scarcity of money." They augmented the number of pounds, but each pound represented a proportionally smaller amount of coin, and would command an equally smaller amount of the comforts and luxuries of life. They altered, arbitrarily and wickedly, the standard of all values, and, in effect, compelled him who had contracted for one currency to take his pay in another. He who had agreed to give four days' labor discharged the debt with two or three. By a process of legislative juggling, property was transferred from the creditor to the debtor interest—wrested from the

productive classes and bestowed, by the foulest injustice, on adventurers and speculators. And what the Colonial Assembly did in 1733 and 1740, the United States Congress repeated in 1862, 1863 and 1864.

The expedient which is at this day adopted in every well ordered government to prevent the depreciation of notes allowed to circulate as money, is to make them convertible, at the will of the holder, into coin. So long as this convertibility is preserved they cannot, theoretically speaking, be issued in excess. The moment the currency becomes redundant, and the notes suffer the slightest depreciation, they return to their issuers to be redeemed in specie, and thus the volume of paper is reduced. But in practice, this system does not prevent important and even disastrous fluctuations; and the problem still is, How may we get the benefits without the evils of a paper circulation?

The threatening attitude of the royal government in 1740, appears to have checked the emissions of paper money for four years. In the meantime, the Assembly felt constrained to do something to better the currency. They saw that all attempts to prevent depreciation had hitherto failed, but were not yet prepared to withdraw their bills from circulation. They consulted the Solons and Lycurguses of Massachusetts, and once more put the colony nag upon the trotting course. Having (they say) been enjoined and commanded by the Lords Justices of the Regency, August 21, 1740, to take effectual care that the act of Queen Anne's reign should be "punctually and *bona fide* observed, and put in execution," in compliance with which act the same was published with the laws of 1740, the "currencies notwithstanding continuing very unstable," they therefore resolved [May, 1742,] that coined silver, sterling alloy, shall pass at six shillings and eight pence per ounce in all business, trade, &c., and shall be lawful money—that after the first of January then ensuing, all bargains, contracts, &c., shall be deemed and taken (unless otherwise expressed,) to be made in money at the value aforesaid—that the courts shall give judgment in lawful money as defined by this act,—and that bills issued or to be issued, shall be regulated by the same

standard according to their current value, this to be declared from time to time by the Assembly.

This law, gotten up in imitation of one passed by Massachusetts, in 1741,\* seems to have restored, in a modified form, the tender provision, making notes† good money at their true value, coin being the standard. Nor did it answer any desired purpose. For this reason, and for others which are referred to as "adverse constructions," and "great inconveniences," the act was repealed in May, 1744. The truth is, probably, it was found to be oppressive to debtors. It not only compelled them to pay in a metallic currency or its equivalent, instead of bills, but it practically raised the standard of silver money. According to the law, an ounce of metal was to be equal to six shillings and eight pence, instead of eight shillings, the old current rate. The measure must have been unpopular—an affliction to the numerous debtor class, and to all those whose thrift was dependent on a depreciated currency.

The war with Spain continued. Early in 1744, France joined in the contest against England, her "natural enemy," and America became the theater of important transactions. New England (Gov. Shirley taking the lead) projected a secret expedition against Louisburg (Cape Breton,) the strongest fortress in America. By a fortunate combination of accidents, it succeeded. The colonies were put to great expense, and in the dilapidated condition of their finances, they had no resort but to paper money. Connecticut emitted, in May, 1744, £4,000; in October of the same year, £15,000; in March, 1745, £20,000; in July, 1745, £20,000, and in May, 1746, £20,000, all new tenor, the bills ranging from one shilling to three pounds, each emission bearing the date of the Assembly authorizing it, and each secured by a sinking fund tax, payable in from seven to fourteen years, in new tenor bills, at the advance, or in something equivalent.

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\* Hutchinson, I., 361. By the Massachusetts law, the oldest counselors, one from a county, met once a year to ascertain the depreciation of the bills.

† I have occasionally termed bills of credit *notes* of circulation, or notes, in accordance with present custom. This is not in conformity with the practice of our fathers. Till after the Revolution, promises to pay, intended for money, were always called bills of credit. Other promissory engagements were named notes.



At the same date as the last emission, (May, 1746,) £3,000 were ordered to be struck off, in small bills, from two to five shillings, with "the date of this Assembly," from the *old* plate, a tax being laid as before. (I suppose these were old tenor bills.) After this the government printing press was allowed an interval of rest, no other issues being authorized for eight years.

It was expected that these large emissions of colony bills would be tolerated by the British government, in consequence of the greatness of the emergency. And as Louisburg was taken, its capture being the most important success of the war, it was not doubted that Parliament would refund the expense of the expedition, and thus render it unnecessary to collect the heavy taxes which had been levied.

In May, 1747, the Assembly, getting a glimpse of the gulf which was before them, and conceiving that the bills of the neighboring governments, which circulated "promiscuously" with theirs, had the effect to depreciate the colony notes, enacted that thenceforth the bills of this colony only, or gold or silver, should be received for court or jury fees, imposts, duties, excise, &c., into the Treasury. At the same time, all bonds, notes, &c., made payable after the ensuing first day of October, in bills of the adjoining governments, or of New York, were made void. But this last clause in the act was soon repealed.

The war closed in April, 1748; but the enormous issues of paper money growing out of the contest, gave a fatal blow to the currency. Rhode Island is reported to have had in circulation in the beginning of 1744, £440,000.\* Massachusetts, says Gov. Hutchinson, emitted during the last years of the war, between two and three million pounds. Connecticut issued in the same period, £82,000, and during the war, £131,000. In the latter sum are included all the new tenor issues, amounting to £109,000.

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\* Felt, p. 115. I think the sum named must be an exaggeration. The Merchants' Magazine, Vol. XX., p. 90, quoting from Sparks, says that Rhode Island had emitted in 1749, not less than £335,300, of which £135,00 were still outstanding, in one form or another. The last sums are probably too small; that relating to emissions certainly is. I have not seen Potter's pamphlet on the currency of Rhode Island.

These last emissions broke the camel's back. The credit of the colonial governments was utterly prostrated. An ounce of silver which, in 1739, could be bought for twenty-eight shillings in paper, and in 1744, thirty-two shillings, cost, in 1749, fifty-five or sixty shillings. Trade was embarrassed, and the utmost confusion prevailed. No safe estimate could be made as to the future, and credit was almost at an end. No man could safely enter into a contract which was to be discharged in money at a subsequent date. Prudence and sagacity in the management of business were without their customary reward. All values, as measured by paper money, were uncertain. The public mind was demoralized, so to say; public and private justice was forgotten. Doubt and suspicion took the place of confidence, and men were afraid to trust one another. If a man had goods to sell, he asked an extra price to cover the risks of the currency. At the same time, bills of credit circulated briskly, giving support to an active cash trade. Those having them, fearing their fingers would be burned, got rid of them speedily.\* Desiring more substantial property, they would offer increasing prices till somebody would take them. This impatience of holding always gives poor money a lively circulation; and the poorer it is, so long as it will pass, the quicker it moves.

The new issues, called new tenor, instead of benefiting the currency and preventing depreciation, had a disastrous effect. They damaged the old emissions, produced new complications, introduced more confusion, and sunk rapidly in value. A break-down, through their agency, became necessary. In the expectation, however, that they would fare better in the general wreck, they did not sink so low as the old emissions. They came finally to be worth in the proportion of one to three and a half, one shilling new tenor being equal to three shillings and six pence old tenor. They were never used as the ordinary medium of exchange. Accounts were kept, and payments made, as previously, in old tenor. If new tenor bills

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\* Hutchinson, II., 391.

were employed, in a business transaction, these were converted, by multiplication, into old tenor.

## CHAPTER V.

### DOWNFALL OF PAPER MONEY. THE SPECIE STANDARD RESUMED.

AFTER the war, a plan was proposed by Thomas Hutchinson of Massachusetts, then Speaker of the House, and an influential member of the hard money party, for redeeming the bills of that Province. After much opposition, and a final hairbreadth escape in the House, it was adopted by the Assembly, and approved by the Governor. The law was passed in January, 1748, and required that the money expected from England to reimburse the Colony for the expenses incurred in the capture of Louisburg, &c., should be appropriated to such redemption. In September, 1749, the money arrived, consisting of "653,000 ounces of silver and ten tons of copper," equal, (says Drake, in his *History and Antiquities of Boston*, page 622,) to £183,649:2:7½. According to Felt, the commissioners, in closing their labors, in June, 1751, reported that they had redeemed, in all, £1,792,236:5:6—£50,705:6:8, old tenor bills, £38,431:7:0, middle tenor, and £1,703,099:11:5, new tenor—"at the rate of about one in specie to ten in paper,"\* or in New England money, one to seven and a half. In other words, one ounce of silver was given for fifty shillings in bills, or a Spanish dollar for forty-five shillings. Two years later,

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\* Felt's *Mass. Currency*, p. 124. All the above sums seem to be stated in old tenor, one shilling of the new, or middle tenor, being reckoned as equal to four shillings, old tenor.



£131,996:3:9, in old tenor, were still in the hands of the people.

And now Connecticut, unwilling to be left behind, began to think of another equestrian performance. She was also desirous of averting threatened and hostile legislation in the British Parliament. In May, 1749, the Assembly passed a law of the following purport:—All allowances of sterling money by the Parliament towards reimbursing the expenses of this Colony in the late expedition to Cape Breton, and such as may be made for expenses in the late intended expedition against Canada, are hereby fully appropriated to the calling in, exchanging, sinking and discharging the now outstanding bills of credit made and issued by the Colony, the bills received to be burned to ashes. One half of the bills of exchange drawn for said allowances was to be sold for bills of public credit, the other half for silver coin. “When the coined silver procured for the sales of said bills of exchange shall be fully paid and lodged in the hands of the Treasurer, he is hereby directed to pay the same out in exchange for the bills of credit, at the same rate that the said silver money is received and accounted for in the sale of said bills of exchange, and such bills of credit brought in and redeemed by such exchange” are to be burned to ashes. To provide for the remainder of the bills, three three penny taxes were levied, payable on the first day of May in the years 1751, 1752, and 1753. The taxes were to be paid in old or new tenor bills—three and six pence of the former being reckoned as equal to one shilling of the latter—or in Spanish milled dollars, or pieces-of-eight, at thirteen shillings and nine pence each, new tenor. Out of the proceeds of each of said taxes, £9,000, new tenor, were to be burned. At the same session, the Governor was requested to write to Eliakim Potter, agent of the Colony at the Court of Great Britain, to inform him of the act which had been passed, and to say that the colonial government had never made large emissions of bills of credit till lately, when it had been done solely on account of his Majesty’s service—that the money allowed by Parliament had been fully appropriated for the purpose of calling in said bills, and that this money,

together with the taxes which had been levied, would sink all the outstanding bills. And the Governor was to signify to Mr. Potter a grateful sense of his services in his vigorous opposition to the bill "before Parliament relating to paper currencies, which seems to have a threatening aspect on our liberty and privileges granted by charter, especially as it would invest the Governor of the Colony with a power to negative all acts passed by our Assembly"—and at the same time, to desire him to continue to oppose the act, and "endeavor a speedy payment of the money granted to us for the expenses of the late expedition to Cape Breton," &c.

In May, 1750, the Assembly ordered that the bills of exchange on England should not be sold to or drawn in favor of any person not now a settled inhabitant of the Colony, and as a sop to the English merchants, it was further ordered that the purchaser of the bills should buy with them merchandise in Europe. At the same time, the committee in charge of this business was to sell £10,000 in said bills, the buyer to give bonds to pay for the same, one-half in coined silver, at the rate of five shillings and four pence per ounce, or its equivalent in gold, and the other half in outstanding bills, on or before May, 1754, with three per cent. annual interest payable in coin. Thus the time for redeeming the last of the bills was put off for no good reason that is apparent. Doubtless, the government was willing to delay the business as long as possible. Perhaps the intention was to defer it till certain taxes, originally levied for sinking the bills, became due. Beyond this period, the time could not, with any decency, be extended. Thus the costly benefits of a wretched paper money system were continued, and the evils apprehended from a change postponed. The public mind was infatuated, and could not view with composure the contemplated reforms.

As introductory to the proposed change in the currency, the Assembly enacted, in October, 1750, that all fines, fees, penalties, duties, forfeitures, fares, &c., mentioned in any act, should be payable in proclamation money. At the same time, said fines, &c., might be discharged by an equivalent in colony bills, or in bills at their current value, as measured by coin.

As I understand it, £800,000 were appropriated by Parliament, in 1747, to reimburse the colonies for their expenses in the Louisburg expedition.\* Of this sum, Connecticut received (according to a note which will be found in Drake's History and Antiquities of Boston, page 622) £28,863 : 19 : 1, supposed to be sterling money. I have not been able to make out this fact from our own records in the state offices in Hartford. Of this amount, £10,000 appear to have been drawn for before the middle of the year 1750, and the draft sold on a three years credit. Bills of exchange for the remainder were afterwards disposed of, and "gold, silver, and bills of this colony" received in payment. It was calculated that on "the first day of the session of the Assembly in May, 1754," the coin produced by these sterling bills would be all paid into the Treasury. The records and papers which have come within my reach do not place the matters under consideration in a very clear light. With regard to the financial affairs of the Colony there is an absence of clear and full statement, which is much to be regretted. Where the data are insecure, I have been cautious in drawing inferences.

The following report of a committee made to the Assembly in October, 1751, will show the amount of outstanding bills, and the condition of the Treasury, at the date mentioned :

"Outstanding bills, in old tenor,.....	£340,218:18:7
Silver in Treasurer's hands at eight shillings (per oz.) and gold	
at £5:17:6,.....	1756:19:3
Bonds due to the Governor & Co., in old tenor,.....	8,086:14:4
Bonds due the Governor & Co., in old tenor, or bills of the neighboring governments,.....	5,856:7:9
Bonds due in silver, at eight shillings for interest,.....	1,189:7:9
September 6th, 1751."†	

In the above report, it will be observed, no new tenor bills are mentioned, these being, doubtless, converted, as was the custom, into old tenor, and thus expressed. The statement relative to the condition of the government, proved that the taxes levied in May, 1749, together with the moneys granted by Par-

\* See Arnold's Rhode Island, Vol. II., p. 170. He refers for his authority to the "Trumbull Papers," Vol. I., p. 30.

† Finance and Currency, Vol. III., MSS.



liament, were more than sufficient to redeem the notes still in circulation. The Assembly therefore ordered that two-thirds should be abated of the three-penny tax made payable in October, 1751. The same proportion was afterwards abated of that payable in October, 1752.

In 1751, the long delayed and much dreaded legislation on bills of credit, spite the "vigorous opposition" of Mr. Eliakim Potter, was consummated in the English Parliament. The law passed applied to his "Majesty's colonies or plantations of Rhode Island and Providence Plantations, Connecticut, Massachusetts Bay, and New Hampshire," and declared that after the twenty-ninth day of September, 1751, it should not be lawful for the governors, lieutenant-governors, &c., of these several colonies to make or pass, or give assent to the making or passing, any act whereby bills of credit should be created or issued under any pretense, or whereby said bills should be reissued, or the time set for their redemption extended—every such act to be void. All outstanding bills were to be called in within the periods named by the acts emitting them, unless said acts had been altered, &c.; and in case any borrower of loaned bills should fail, a tax was to be levied for the deficiency. Acts creating bills for the expenses of the current year, not to run over two years, were excepted from the operation of this law. The law was not to extend to paper bills emitted in extraordinary emergencies, as in the case of invasion, a fund having been established for sinking the same within five years. Said allowed bills were in no case to be legal tender. And should any governor, &c., assent to a law in violation of this act, he was to be dismissed from office, said assent to be void.\*

This legislation, considering the insufficiency of milder measures, was no more stringent than should have been expected, and no more so, probably, than was necessary to secure the end. By acting more directly upon the governors, it seems designed to save, as much as possible, the pride of the colonists. So far as Connecticut was concerned, however, the penalty of removal from office did not apply. Her governors had no neg-

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\* Statutes at Large, XXIV., Geo. II., Cap. 53.

ative in legislative proceedings, nor was the power conferred till given by the Constitution of 1818.

In May, 1752, the currency had become an intolerable nuisance, and there are signs that many of the people were getting impatient of government delay. The course which Rhode Island pursued was bitterly denounced. While Connecticut was endeavoring to draw in her bills, her enterprising neighbor was making new and large emissions to fill the void. John Ledyard and twenty-five others, merchants and traders of Hartford County, petitioned the Legislature for relief. They uttered words of wisdom and truth, not often heard at that day, when they said:—"As the medium of trade is that whereby our dealings are valued and weighed, we cannot but think it ought to be esteemed of as sacred a nature as any weights and measures whatsoever, and in order to maintain justice must be kept as stable; for as a false weight and a false balance is an abomination to the Lord, we apprehend a false and unstable medium is equally so, as it occasions as much iniquity, and is at least as injurious." They, at the same time, complained of the Rhode Island bills, and prayed "that the medium of trade may be rendered stable for time to come, and that the just value of our now outstanding debts may be secured to us." Chauncey and Elisha Whittlesey and twenty-seven others of New Haven County, also sent in a memorial. They represented themselves as sufferers from a depreciated currency, feared that the trade of the Colony would be ruined, and prayed that the bills of Rhode Island might no longer be tolerated.

The Assembly agreed to support the memorialists, and an act was passed (in May, 1752) putting the notes of Rhode Island under the ban of the government. It applied to those emitted after the twenty-fifth day of December, 1750. These were declared not current, and debts, contracts, &c., could not be discharged with them, except by previous agreement when payment was made within the time specified.

The colony bills brought in by taxes, &c., appear to have been paid out again to meet the wants of the government till May, 1753, when the Assembly directed the Treasurer to do so no longer, "on any occasion;" but, instead, to defray the pub-





—The bills so brought in to be burnt. The value of the outstanding bills is to be computed for every fifty-eight shillings and eight pence, old tenor, one ounce of coined silver, and for every forty-two pounds of old tenor, one ounce of coined gold, the new tenor to be computed at the rate of one shilling for three and six pence of the old tenor. For provision of payment, a tax is laid of four pence on the pound to be paid by the last of December next, in lawful silver money, or in gold at the rate mentioned, or the bills of credit issued in January last, or that may be now emitted by this act,\* or in the now outstanding bills of credit of this Colony either of the new tenor at fourteen shillings and seven pence, or in the old tenor at fifty-one shillings, for six shillings [a Spanish dollar] lawful money, or in any of the orders drawn on the Treasurer by the committee appointed to receive the now outstanding bills of credit, or in pork at fifty-one shillings per barrel, beef at thirty shillings per barrel, wheat at three and six pence per bushel, rye at two shillings per bushel, Indian corn at one shilling and nine pence per bushel, flax at four pence per pound, [deducting the expense of carrying] to the nearest place of transportation. [Other like taxes were laid, payable in December, 1756, and December, 1757.]†

The outstanding notes, whose payment was postponed by this act, are understood to have been the last of the old issues. As they were equal to £5,000 in coin, they must have amounted to £44,000, old tenor. I am unable to say with certainty that those previously redeemed were discharged at the same rate as that fixed for the bills which remained. There was an obvious propriety in having an uniform rate; but a government, in breaking faith with its creditors, is not necessarily governed by the rules of propriety or consistency.

Though accounts at this time, as a general rule, were still kept in old tenor currency, there was a frequent reference to proclamation money as the fixed standard of values. As compared with silver, bills were fluctuating and uncertain. They not only differed at different times, but varied as the place varied, at the same time. By frequently making these comparisons, the people came to understand that it was paper that rose and fell, or fell to rise no more, while specie was stable. The changes were so frequent and sudden, that ecclesiastical societies which had voted their ministers yearly salaries, in current money, sometimes appointed a committee to alter the sums as

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\* These were new issues of notes bearing interest and payable in coin, which will be referred to by and by.

† MSS. Colony Record, Vol. VIII., 265.

the currency altered, and thus secure an uniform compensation.\*

In the beginning of 1755, or a little earlier, accounts began to be kept in "lawful money." When an inventory was put upon the probate record, there was usually some remark to show in what currency the items were valued. If it was taken in old tenor, a note like the following was added—"N. B. proc. money is one equal to eleven;" that is, eleven shillings in old tenor bills were worth one shilling in silver, which is at the rate of eighty-eight shillings per ounce. The breaking out of the war with France, and the probable postponement of the day of redemption, doubtless caused this great additional depreciation of bills.† One year later, or early in 1756, "lawful money," or "proc. money," began to make its appearance in the account books of private individuals. Wheat was charged at three shillings and nine pence, or four shillings a bushel, which just before had been set down at forty-five or forty-eight shillings. In October of this year, a resolution of the Assembly informs us that the bills of credit had been reduced to a "small remainder," and that provision had been made "that after the first day of November, 1756, all accounts in this government [would] be kept in lawful money." The Governor (Fitch) was desired to advise the governors of New

\* History of Waterbury, p. 284.

† The following table, taken from Felt's volume, shows the depreciation of the currency from 1710 to 1752, in Massachusetts. It answers equally well for Connecticut, and the other New England colonies. The amount in bills required to purchase an ounce of silver, was in

1710, {	8s.	1724, {	1738, {
1711, {		1725, {	1739, {
1712, {	8s. 6d.	1726, {	1740, {
1713, {		1727, {	1741, {
1714, {		1728, {	1742, {
1715, {	9s.	1729, {	1743, {
1716, {		1730, {	1744, {
1717, {	10s.	1731, {	1745, {
1718, {	11s.	1732, {	1746, {
1719, {	12s.	1733, {	1747, {
1720, {		1734, {	1748, {
1721, {	13s.	1735, {	1749, {
1722, {	14s.	1736, {	1750, {
1723, {	15s.	1737, {	1751, {
			1752, {

Hampshire and Rhode Island of these facts, and to inform them that there were in the hands of the inhabitants of this Colony considerable sums of the bills of their respective colonies for which it was hoped "a just and equitable provision" would be made, notwithstanding "the fixed periods for the payments of said bills are supposed to be past." Thus "disputes and difficulties betwixt the governments would be prevented," and "the affection and good harmony now subsisting" perpetuated, &c.\*

Connecticut, then, in redeeming her bills of credit, gave one ounce of silver for fifty-eight shillings and eight pence in paper, or at the rate of one shilling for eight shillings and ten pence. In other words, she paid about one-ninth, and repudiated the remainder, thus falling considerably below the standard of her oracle and pattern, Massachusetts. Her design seems to have been to redeem her bills at the market price. She measured her duty by her credit, her obligations by her own poor performances. There was no well meant endeavor to keep faith with the public creditors; no attempt, at any period, to improve the value of paper money by withdrawing a part from circulation. So far as it was a simple question of resources, the Colony might, by a system of taxation, have called in her bills, and thus have restored the currency and discharged the whole debt. In this way, the accepted medium of exchange would not (till wholly withdrawn) have been altered, but only its credit reëstablished. The amount of the outstanding bills in October, 1751, reckoned in old tenor, was £340,218:18:7. By far the greater part of this sum was in new tenor bills, but the exact proportion I have been unable to ascertain. Taking the report of the Committee, in 1739, and the subsequent issues, in old tenor, as the ground for an estimate, there were not, probably, more than £30,000† of this

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\* Colony Records, Vol. VII., 322. MSS.

† Of the large amount of loan bills of 1733 and 1733, equaling £50,000, there appear to have been outstanding, in 1752, but £665:10:6, (see ante, p. 52.) Out of so much of the last amount as had been ordered to the end of 1739, including the £25,000 of 1735, and including all emissions before 1733, there remained in circulation, at the first named date, (end of 1739,) only £5,738:16:9, (see ante,



description, in circulation, in 1751. But suppose there were £40,000, in old notes, there would then remain £300,219. To show the amount of bills which this remainder represented, it must be reduced to new tenor, or, in other words, divided by three and a half. We thus get £85,777. This sum, representing the new tenor bills, added to £40,000 old tenor, makes £125,777, as the total of outstanding bills. The annual tax required to redeem this sum by successive installments, paid in depreciated currency, would at first bear very lightly. Estimated in lawful money, it probably would not have been on an average, from first to last, more than equal to half the sum nominally paid. The whole required amount might have been, say, £62,888. The grand list of the Colony, in 1753, (including the "additions," £15,969, and excluding the "four-fold assessments," £10,300,) was about £1,231,613,\* property being valued at an arbitrary rate which had been nearly uniform for more than fifty years, and which was fixed when silver was the measure of value.† Taxes, therefore, amount-

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p. 49.) A portion of the bills once withdrawn, may have been again paid out after 1739; but it will be fair to conclude that, of all the old tenor emissions, there were not more than £30,000 fit for currency in 1751.

\* The population of Connecticut, in 1753, may be estimated, in round numbers, at 130,000.

In answer to inquiries by the Board of Trade, a committee stated, in May, 1749, that the population of the Colony was about 70,000, exclusive of 1,000 Blacks and 500 Indians, in all 71,500. This estimate must have been very much below the truth, as it was probably designed to be. The same committee reported that the number of inhabitants had greatly increased in ten years; that there were about 10,000 militia from sixteen to sixty years of age, divided into ten regiments; that the Indians were given to idleness and drink; that the people were generally employed in clearing and tilling, though there were some tradesmen, tanners, shoemakers, tailors, joiners, smiths, carpenters. The trade of the Colony was not large. Horses, lumber, and some provisions were sent to the West Indies and exchanged for sugar, molasses, rum, salt, and bills of exchange. Surplus provisions were usually sent to Boston, New York and Rhode Island, where European goods were purchased. There was no foreign trade, though, before the war, some vessels had visited the Mediterranean. The revenue of the government amounted to about £9,000, in bills of credit, of which sum £2,000 were for the support of schools. See MSS. entitled Trade and Maritime Affairs, For. Correspondence, Vol. I., Doc. 165.

† By the code of 1750, the polls of persons "from sixteen years old to seventy," with certain exceptions, went into the list at eighteen pounds; an ox, at

ing in the whole to about five and one-tenth per cent. (reckoned in silver) would have sunk the last of the outstanding bills of credit, and thus have saved (in the mercantile sense) the honor of the government. But if we deduct the money which was received from England, and which was used as a redemption fund, amounting to £28,863:19:1, sterling, or £38,485:5:3 $\frac{1}{3}$ , New England currency, taxes equal to less than two per cent. would have been sufficient. But there were objections to this course—obstacles in the way of redeeming the colony bills so long as they were the recognized currency of the people. The government doubtless did not know the extent of the difficulty; but they had a correct appreciation of the practical consequences of the several possible methods of proceeding. The debtor class, which had of late governed legislation, could distinguish right from wrong when it came their turn to suffer. For once, they had sound argument on their side, and reasons which might well prove decisive.

In the first place, those of the creditor class who had been wronged by the progressive depreciation of bills, their substance having been transferred by installments and without consideration to the debtor class, would not, as a general rule, have been made whole by a reversal of the process, and a restoration of bills to their original credit and value. A very large proportion of those who had suffered were dead. Of the living, very many must have been so effectually stripped that their interests no longer lay with the creditor class. Indeed, numbers had doubtless been driven over to the debtor ranks, and were ready to be again robbed when a contraction of the currency should take place.

When money is appreciating they that suffer are the debtors. They are wronged in the same way that creditors are when the currency is depreciating. They are obliged to pay in a medi-

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four pounds; a cow, three pounds; a horse or mare, three pounds; house lots of three acres, twenty shillings per acre; upland pasture, eight shillings per acre; meadow lands in Hartford county, fifteen shillings per acre; do. in the other four counties, seven shillings and six pence per acre; boggy meadows, five shillings per acre, &c. It was estimated by a committee, in 1764, that a tax of one penny on the pound would raise about five thousand pounds.

um which is becoming daily more valuable; when the yardstick which measures their goods is growing longer and longer. Borrowing when paper is worth twenty or forty cents on a dollar, they must satisfy the debt when it is equal to sixty or a hundred. In other words, a contract which, when made, could be discharged for three or six days' work, must be met by the labor of eight or twelve days. Thus men are condemned to toil without reward. Thus values are transferred, and the debtor class is cruelly wronged. In the mean time, creditors reap a golden harvest; their gains, so long as they get their pay, equaling the losses of the other party. They not only receive what they loaned, what they contracted for, or what in justice belongs to them, but they obtain an additional sum, perhaps twice or thrice as much, in a better currency. He who parted with two days' labor gets, in return, three or five, and interest. Thus is treasure heaped up at the expense of debtors. Thus men became rich without toil or sacrifice of any kind. But their gains have a limit. Debtors are crippled and finally ruined by a restricted money market. One after another goes to the wall, till wide spread bankruptcy prevails. Then gains are made by nobody.

Practically, a greatly depreciated currency can never be restored. And the difficulty, in common cases, does not arise from the magnitude of the debt, but from the ruin wrought by a prolonged and increasing money pressure. Nothing so effectually kills off business and cripples industry as a contracted and still contracting currency. The more active and enterprising of the people, those who conduct the exchanges of a country, and are usually more or less in debt, give up in despair. Prices go down, the bottom falls out, and panic ensues. The loss of confidence and the apprehension of disaster make matters worse. Though the contraction proceed after an uniform rule, the effect will be irregular and spasmodic. No government is wise enough to manage a currency which is being forcibly and very largely reduced. Nor is it strong enough to control the discontents and revolutionary outbreaks which must surely arise. This is especially so, when it is seen to be itself the cause of all the mischief, remotely in its reckless issues, and immediately



in its ruthless measures of contraction. Those who are injured by a pinched money market, and a continued appreciation of the currency, including the whole debtor class, are always a large majority of the people. If they cannot coerce their rulers by their votes, they will find some other way of controlling them.

A large currency debt is the most unmanageable and inconvenient form of indebtedness which can afflict a country. It cannot be increased or diminished without robbing a very large class of the people. It cannot be withdrawn, with the intention of restoring its value, without bringing on a tetanic spasm, and destroying the very sources of wealth. And the danger to the public interests is greatly increased if the government happens to owe a large interest-bearing debt—a debt which was possibly contracted at the highest point of inflation, and at enormous sacrifice. Let the policy of restriction prevail, and the yearly interest will become more and more burdensome. Let what will come, this must or should be paid, in good solid money, now more valuable than ever; and at a time, too, when incomes have nearly disappeared, and when two or four days' work, two or four bushels of corn, are required to pay for one. Heavy taxes, at such times, to apply, perhaps, on the "dead horse" account, and coming as they do out of capital, not profits, are borne with impatience; and if any relief, within easy reach, is to be had, the tax paying debtors, should they happen to be voters, will discover it.

Governments are apt in finding out costly ways of raising money; but they did not discover the most expensive one till paper money was invented. And a more dishonest and dishonorable method it is difficult to conceive. The wealth of a country is made the sport of those in authority. Fortunes are transferred by bits of pictured paper. Thousands are made rich, and as many impoverished, and a nation is ruined by a few revolutions of the printing press. The people are swindled by a false measure of value as truly as they would be by deceptive weights or india-rubber yard sticks. Rulers may talk in *ad captandum* style about the interest which is saved by notes of circulation; but they know little whereof they

speak, and nothing of true economy. To save a few thousands, they break the most solemn contracts, change the ownership of property, and cause the sacrifice of millions. And I here say nothing of the increased cost of government resulting from an inflated currency and augmented prices. Paper money, I am tempted to say, is the most dangerous invention of modern times. Popular, insinuating and insidious, it proves, at last, to be an "infernal machine" which no engineer, guided only by his discretion, can run safely. No government is sufficiently pure or wise to use it without abusing it. It is a power that had better be prohibited. If allowed, barriers should be erected and the limits fixed by the fundamental law—a law which will not yield to (so called) "state necessity."

Connecticut, in discarding the currency she had herself established, and repudiating her obligations, pursued a practical and practicable course. She could not compensate the class which had lost by her faithless and nearly worthless promises. The attempt to restore her bills to good credit would have injured, for nobody's good, still another class, and brought untold calamities upon the whole community. Surrounded by difficulties, pressed by Parliament, unable to go forward, unwilling to go backward, discouraged and disgraced, she lay down in the furrow and declared she could not pay. It was easier, and, under the circumstances, wiser, to wipe out and begin anew. The plighted public faith, so called, was no obstacle to this course. The sponge was applied to a convenient extent, and a new system inaugurated. Thenceforth, honesty became the rule of action, false measures were discarded, and hard money, the product of hard labor, again became the standard of value. The practical bankruptcy of the government and people made the change comparatively easy. There can be no shock when nobody pays. It is the persistent effort to pay in the usual currency when its volume, as compared with the demand, is largely reduced—to pay in a pinched money market, when the circulating medium is becoming every day more valuable—which intensifies the pressure, and brings on a crisis. A general bankruptcy, by greatly diminishing the number of borrowers, affords relief—relief, I mean,

to the money market. Nor can there be any stringency when an old currency is repudiated, and a new one takes its place. There may be vast suffering; estates may be lost and won; but the change may take place quietly, and without financial embarrassment.

Before the plan for redeeming the colony bills had been consummated, another war with France broke out, as has already been mentioned. Troops were to be raised and equipped, and money must be had. The Assembly met in January, 1755. "To provide for the extraordinary emergencies of government, occasioned by the invasion of his Majesty's dominions in North America by the French and Indians," they voted to issue Treasury notes, of a new description, to the amount of £7,500. The system of "borrowing without interest" having exploded, these notes bore interest, and were payable at a fixed date. The denominations varied from nine pence to forty shillings. Here is the prescribed form:

No. (            )

20s.

The Possessor of this Bill shall be paid by the Treasurer of the Colony of Connecticut, Twenty shillings, lawful money, with interest at five per cent. per annum, by the eighth day of May, 1758. By order of the Assembly at New Haven, January eighth, 1755.

By the same act, a tax of two pence on the pound, sufficient to sink the bills, was laid, payable in the new issue, or in lawful money, on the last day of August, 1757.

In March, (1755,) an issue of £12,500, in notes of the same tenor and denominations, was ordered, payable May eighth, 1759, a tax at the same time being levied of three and a half pence on the pound, to be paid in lawful money or the recent issues, on the last day of December, 1758. The notes were to be paid out to the public creditors "*as their value should be at the time.*" In August following, £30,000 of the same sort were authorized, and in October, £12,000. Then there was an interval lasting till March, 1758, when £30,000 were ordered, the same to be paid "out with interest computed." Other amounts were afterwards added; £70,000 in 1759; £70,000 in 1760; £45,000 in 1761; £65,000 in 1762; £10,000 in 1763, and £7,000 in 1764. The last sum was on



account of the Indian war which followed that with France, the latter closing early in 1763. The entire issues since January, 1755, amounted to £359,000. The notes were of the same tenor throughout, and, with a single slight exception, of the same denominations. They bore five per cent. annual interest, were payable in from two to five years, in lawful money, and were put forth in strict conformity to the Act of Parliament. The usual sinking fund taxes, which, in the year that completed the conquest of Canada, (1760,) amounted to two shillings and one penny on the pound, were not forgotten.

These interest bearing notes, it will be remembered, were not a legal tender. According to the record, they were "paid out as their value should be at the time of putting off the same," or according to their market price. At a later period, when probably no sacrifice was deemed necessary to make them acceptable to the public creditors, the Treasurer was to compute the interest and add this to the face of the note. Strictly speaking, they do not appear to have constituted a part of the currency, though debts were discharged with them, by consent. Undoubtedly, they were designed to act as money, as is apparent from the small denominations which were issued. But as they bore different dates, and carried different amounts of interest, and were consequently of unequal value, they could not well circulate together, or act as the common currency. The interest does not seem to have been paid during the whole period the notes had to run. There is no indorsement on them, and when they finally reached the Treasury, simple interest was added, the result, perhaps, of several years accumulation. Under these circumstances, they would naturally be held for the gains they had made, or were expected to make. If parted with, they would be sold like a private note of hand, below or above par, according to the confidence reposed in the signer, the rate of interest, the amount accrued, and the time the note had to run. In this state of things they could not act as money, and were not a measure of value. On the contrary, they were themselves measured, money being required for this purpose. During all this period, coin was the standard of value. Contracts were made and debts paid in it,

or its equivalent. Government bills, like ordinary commodities, were converted into it before their value could be stated. They are understood, however, to have been worth something like their face and accrued interest, spite the late breach of colony faith. I find instances in which they were credited on book account at an advance, the latter probably being for interest.

By means of taxes and the considerable sums of money received from England on account of the war, (£26,000 sterling, in specie,\* in August, 1756, and larger sums afterwards,) the notes seem to have been all paid at maturity or before. I find no evidence that those which had once reached the Treasury were ever reissued. They may have been, however, when brought in by taxes, which were designed to meet the ordinary expenses of the government. It appears from a report made to the Lords Commissioners of Trade and Plantations, in May, 1764, that only about £82,000, in bills, were outstanding, at that time. These had been emitted, some small sums in 1761, the remainder at later periods. All the older issues had been called in and burned. At the date of the report, £192,000, in Treasury notes, had been authorized which had not yet become due, they being payable in 1765, 1766, 1767 and 1768. £110,000, therefore, out of the £192,000, had been redeemed in anticipation of the time fixed for payment. Under the circumstances, it is not surprising that the government credit was preserved, and the par value of its paper maintained. The experiment proved how much better, more profitable and more honorable it was to raise money, in the ordinary way, paying what it was worth, than to attempt it by the fraudulent, interest-saving method previously resorted to. During the war, the Colony borrowed considerable sums of money at six per cent. per annum. It had of Gov. Shirley, in 1756, a loan of £10,000, sterling, for two and three years.

The last of the notes issued (those of March, 1764,) became due in March, 1768. No others were authorized till May,

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\* See Coll. Con. Hist. Society, I. 285. The cost of importation, including freight, insurance, commissions, and all other charges, amounted to £1,171: 9: 11, or more than four and a quarter per cent.

1770, at which period the Colony must have been out of debt. At the last named date, £10,000 were emitted, bearing two and a half per cent. interest, the denominations ranging from two shillings and six pence to forty shillings. The notes were payable in lawful money, became due May tenth, 1772, and were secured by two taxes of two pence each, payable, one, December thirty-first, 1770, and the other, December thirty-first, 1771, in lawful money or bills of credit. In October, 1771, £12,000 were authorized; in May, 1773, £12,000; in October, 1774, £15,000; all of "suitable denominations," and all to run two years, *without interest*, seasonable and sufficient taxes being provided for the redemption of each issue. These last sums, amounting to £39,000, bearing no interest, were of course designed solely for currency. Twenty-five years had elapsed since bills of the kind had been emitted. They introduced a new paper money era; but as they did not exceed the sum required for the trade of the Colony, and were not interfered with by the notes of the adjoining governments, they did not depreciate. The population, now about one hundred and ninety thousand, had, probably, nearly doubled since 1746, while wealth and commerce had much increased. The desire, however, "to borrow without interest," or below the market rate, was not a favorable omen. It led to fresh disasters.

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## CHAPTER VI.

### PAPER MONEY OF THE REVOLUTION. CONNECTICUT AND CONTINENTAL EMISSIONS.

THE war of the Revolution was opened with the skirmish at Lexington, April nineteenth, 1775. A blaze of excitement spread through the land. The Connecticut Assembly met, in



special session, on the twenty-sixth of the same month, to provide for the war. They organized the militia, directed Commissary Trumbull and the other commissaries to purchase military stores, including one hogshead of New England rum, and to meet expenses, passed an act to emit, forthwith, £50,000 in bills of credit, payable in two years, in lawful money or bills of this issue. In May, £50,000, dated June first, were ordered, and in July, £50,000 more, dated July first, making in the whole £150,000 for the year 1775. These notes were in all important particulars like those of the preceding years. Their redemption, which was promised in two, three and four and a half years, was secured by three seven-penny taxes. The time of payment, in the two last instances, was extended beyond the limit prescribed by the parliamentary act of 1751, unless, indeed, the emergency was an "extraordinary" one, and the case one of "invasion," such as the act contemplated.

In May, 1776, the Assembly authorized the issue of £60,000, dated June seventh, and payable January first, 1781, and in June, £50,000, dated June nineteenth, and payable January first, 1782, the bills ranging, in the first instance, from one to twenty shillings, and in the last, from six pence to forty shillings. The taxes, which were levied as usual, might be paid in colony or continental bills, (the latter soon to be issued,) or in lawful money. In the particulars not referred to, the notes were like those of the preceding year. They were the last previous to 1780, except £5,250 of the same tenor, emitted, because of the scarcity of small change, in October, 1777, in two penny, three penny, four penny, five penny and seven penny notes, sixty thousand of each denomination, redeemable in October, 1782. John Chester and twelve others were appointed a signing committee for the last issue, each bill to have one signature. The duty being somewhat burdensome, twelve others were afterwards added to the committee, all to work without fee or reward. I do not find that any special tax was laid to redeem this issue, and I believe it is the only instance of the like neglect on record.

Owing to causes which will be hereafter explained, Connecticut authorized no more bills till January and May, 1780,

when £190,000, in all, (which may be called *new tenor*,) were ordered. I shall speak of the circumstances by and by. That the reader may have before him, in one view, the important facts relative to the paper money issues of Connecticut, I here print a list of all the authorized emissions, from the beginning, giving the amount and tenor of the notes, the dates of the assemblies ordering the same, denominations, dates of the bills, times of redemption, &c. (The emissions to be exchanged for older issues are included.)

Session.	Amt. and tenor.	Denomination.	Date.	When redeemable.
May, 1709,	£ 8,000, O. T.	2s. to £5,	July 12, 1709,	{ May, 1710. May, 1711.
Oct. 1709,	11,000, O. T.	2s. to £5,	July 12, 1709,	Within 6 yrs.
Oct. 1710,	5,000, O. T.	2s. to £5,	July 12, 1709,	Aug. 1, 1718.
May, 1711,	4,000, O. T.	2s. to £5,	July 12, 1709,	May 31, 1720.
June, 1711,	6,000, O. T.	2s. to £5,	July 12, 1709,	Aug 31, 1723.
May, 1713,	20,000, O. T.	2s. to £5,	{ July 12, 1709, and May 1713,	Sundry times
Oct. 1713,	1,000, O. T.	2s. to £5,	same.	May 31, 1721.
May, 1719,	4,000, O. T.	2s. to £5,	same.	
Oct. 1722,	4,000, O. T.	2s. to £5,	same.	
Oct. 1724,	4,000, O. T.	2s. to £5,	same.	
Oct. 1727,	4,000, O. T.	2s. to £5,	same.	
Oct. 1728,	4,000, O. T.	2s. to £5,	same.	
May, 1729,	6,000, O. T.	2s. to £5,	same.	
Feb. 173 $\frac{2}{3}$ ,	30,000, O. T.	2s. to £5?		
May, 1733,	20,000, O. T.	2s. to £5,		
Oct. 1735,	25,000, O. T.	2s. to £5?		
May, 1740,	4,000, O. T.	10s. to £5,	May, 1740,	
May, 1740,	30,000, N. T.	1s. to £3,	May 8, 1740,	
July, 1740,	15,000, O. T.	10s. to £5,		
May, 1744,	4,000, N. T.	10s. to £5,	{ May 8, 1740, May 10, 1744,	
Oct. 1744,	15,000, N. T.	10s. to £5,	Oct. 11, 1744,	May 31, 1755.
March, 174 $\frac{4}{5}$ ,	20,000, N. T.	10s. to £5,	Mar. 14, 174 $\frac{4}{5}$ ,	
July, 1745,	20,000, N. T.	10s. to £5,		
May, 1746,	20,000, N. T.	10s. to £5,	Date of As'bly	
May, 1746,	3,000, O. T.?	2s. to £5,		
Jan. 1755,	7,500,	9d. to 40s.	Jan. 8, 1755,	May 8, 1758.
March, 1755,	12,500,	9d. to 40s.	Mar. 13, 1755,	May 8, 1759.
Aug. 1755,	30,000,	9d. to 40s.		Aug. 1760.
Oct. 1755,	12,000,	9d. to 40s.		Apr. 1, 1760,
March, 1758,	30,000,	9d. to 40s.		Mar. 4, 1762,
Feb. 1759,	20,000,	9d. to 40s.		May 1, 1763,
March, 1759,	40,000,	9d. to 40s.		Mar. 1, 1764,
May, 1759,	10,000,			May 1, 1763,
March, 1760,	70,000,	9d. to 40s.		Mar. 1, 1765,
March, 1761,	45,000,	9d. to 40s.	Mar. 26, 1761,	Mar. 26, 1766,
March, 1762,	65,000,	9d. to 40s.	Mar. 4, 1762,	Mar. 4, 1767,
May, 1763,	10,000,	5s. to 40s.	May 12, 1763,	May 1, 1765,
March, 1764,	7,000,	9d. to 40s.	Mar. 8, 1764,	Mar. 8, 1768,
May, 1770,	10,000,	2s. 6d. to 40s.	May 10, 1770,	May 10, '72, 2 $\frac{1}{2}$ p. c.

Receivable into the Treasury at 5 per cent. advance.

At 5 per cent. annual interest.

Session.	Amt. and tenor.	Denomination.	Date.	When redeemable.
Oct. 1771,	£ 12,000,	2s. 6d. to 40s.	Oct. 10, 1771,	Oct. 10, 1775,
May, 1773,	12,000,	2s. 6d. to 40s.	June 1, 1773,	June 1, 1775,
Oct. 1774,	15,000,	2s. 6d. to 40s.	Jan. 2, 1775,	Jan. 2, 1777,
April, 1775,	50,000,	2s. 6d. to 40s.	May 1, 1775,	May 10, 1777,
May, 1775,	50,000,	2s. 6d. to 40s.	June 1, 1775,	June 1, 1778,
July, 1775,	50,000,	2s. to 40s.	July 1, 1775,	Dec. 31, 1779,
May, 1776,	60,000,	1s. to 20s.	June 7, 1776,	Jan. 1, 1781,
June, 1776,	50,000,	6d. to 40s.	June 19, 1776,	Jan. 1, 1782,
Oct. 1777,	5,250,	2d. 3d. 4d. 5d. 7d.	Oct. 11, 1777,	Oct. 10, 1782,
Jan. 1780,	40,000,	9d. to 40s.	Mar. 1, 1780,	March, 1784,
May, 1780,	100,000,	9d. to 40s.	July 1, 1780,	Mar. 1, 1785,
May, 1780,	50,000,	9d. to 40s.	June 1, 1780,	Mar. 1, 1784,

} Without interest.  
5 p. c.

The delegates of the "United Colonies" to the Continental Congress, assembled in Philadelphia, May tenth, 1775. To provide means to carry on the war, they resolved, June twenty-second, 1775, five days after the battle of Bunker Hill, to emit "two millions of Spanish milled dollars,\* in bills of credit," the "twelve confederated Colonies" to be pledged for their redemption. The form prescribed was the following: "This bill entitles the bearer to receive —— Spanish milled dollars, or the value thereof in gold or silver, according to the resolutions of Congress, held at Philadelphia, on the tenth day of May, 1775." The date here mentioned was not that of the resolution authorizing the emission, as several writers have assumed, but that of the meeting of Congress. The bills were to range from one to twenty dollars. On the twenty-fifth day of July, an additional one million was ordered in bills of thirty dollars each, a committee of twenty-eight to sign the same, each bill to have two signatures. Four days later, it was resolved that the twelve colonies, then represented, should redeem the \$3,000,000 in bills ordered, in four equal annual payments, beginning November thirtieth,

\* The Spanish milled dollar, or the piece-of-eight, with a new name, was universally known and in general use. It was adopted as the unit of continental money, doubtless, because the currencies of the different colonies were conflicting. The pound and its parts meant different things in different places. In New England and Virginia, 6s., in New York, 8s., and in Pennsylvania, 7s. 6d. made a dollar. The accounts of Congress were kept in dollars, ninetieths and eighths. A Pennsylvania penny (the delegates were sitting in Philadelphia) was equal to the ninetieth part of a dollar, and the eighth of a penny to half a farthing. Whether there were current coins to represent these fractions, I cannot say.



1779. The proportion of "each Colony to be determined according to the number of inhabitants of all ages, including negroes and mulattoes," was estimated (till "the list of each Colony is obtained") as follows:—

Virginia,.....	\$496,278
Massachusetts Bay,.....	434,244
Pennsylvania,.....	372,208½
Maryland,.....	310,174½
Connecticut, .....	248,139
New York,.....	248,139
North Carolina,.....	248,139
South Carolina,.....	248,139
New Jersey,.....	161,290½
New Hampshire,.....	124,069½
Rhode Island,.....	71,959½
Delaware,.....	37,219½
	<hr/>
	\$3,000,000

In this manner was inaugurated a system which was to furnish (what proved to be) a "national currency." Thus was conferred the boon of a circulating medium having, in the language of a distinguished modern financier, an uniform value throughout the country!

The paper emitted by Congress was to be received for the taxes levied for its redemption; while the gold and silver paid in were to be exchanged for bills. The latter, however collected, were to be "cut by a circular punch an inch in diameter," and afterwards burned. The business of obtaining the paper, engraving the plates, printing, signing, &c., occupied several weeks, so that these first installments of paper money did not make their appearance till early in August.\* According to the Journal of Congress, the authorized emissions, in the year 1775, amounted, in all, to \$6,000,000. At the close of 1776, they figured up \$25,500,000; at the end of 1777, \$38,500,000; at the end of 1778, \$102,000,300. They, finally, near the close of 1779, reached the enormous sum of \$242,052,780, bearing no interest. They were of different denomina-

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\* Political Essays on the nature and operation of Money, Public Finances, and other subjects. By Pelatiah Webster, A. M. Philadelphia: 1791.

tions, varying from one-sixth\* of a dollar to eighty dollars. It is said, however, that not more than \$200,000,000 were in circulation at any one time. This sum was largely increased by the colony and state emissions which, however, had no general currency.

The circulating medium of Connecticut was made up in part of its own, and in part of continental bills, the former, doubtless, constituting the largest portion during the first years of the war, but the latter preponderating at a later period. The two circulated in the Colony at a common par value, and were popular. For several months their credit did not suffer, and prices were not affected. There was only a "flush" money market. Long established habits, in such cases, do not give way at once, and the evidences of inflation fail to appear till after a considerable interval. Early in the year 1776, men began to hesitate, and to inquire whither they were drifting. They probably had not forgotten certain notable passages in their own history. First, small change grew scarce, then all silver money disappeared. Some persons refused to take the bills. At this juncture, patriotic individuals in certain of the colonies stepped forward and offered to give coin for continental paper. Considerable sums, sometimes as much as a thousand pounds at a time, were thus exchanged.† Congress took action on the subject. January eleventh, 1776, they resolved that if any person should be "so lost to all virtue and regard for his country" as to refuse the bills, or discourage the circulation thereof, and should be convicted by a "committee of safety," such person should be published and treated as a public enemy, and precluded from all trade and intercourse, &c.‡ —that is, he was to be outlawed.

The colonial governments did what they could, by legislation, to support the waning confidence in paper money. Mas-

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\* In the resolution of Congress of November 2d, 1776, \$500,000 were "to be speedily issued in small bills of two-thirds, one-third, one-sixth, and one-ninth of a dollar." I do not find that any of the last denomination were ever emitted.

† Historical sketch of Continental Paper Money, by Samuel Breck. Philadelphia: 1863.—A pamphlet of 33 pages.

‡ Printed Journal of Congress.

sachusetts, as early as May, 1775, made its own notes a legal tender. Connecticut, more cautious, waited till after the Declaration of Independence, which declaration, by the way, her authorities seemed in no hurry to ratify. At the regular October session of the Assembly, 1776, the revolutionary proceedings of Congress were approved, while a resolution declaring "that this Colony is, and of right ought to be, a Free and Independent State," was adopted.

The first act after this was one punishing high treason; the second required an oath of fidelity; the third was one to support the credit and currency of the bills of the Continental Congress, and of this State; the order of the acts showing, perhaps, their supposed relative importance. The law last named made the bills referred to "a legal tender as money, in all payments within this State." And as certain evil-minded persons, inimical to the liberties of the states, had endeavored to depreciate said bills, it was provided that any one who should so depreciate or undervalue them by offering, demanding or receiving them at a rate below their nominal value, in exchange for coin; or who should, directly or indirectly, offer, demand or receive a greater sum in said bills for any houses, lands or goods than the same could be purchased for in gold or silver, &c.;—every person so offending should forfeit the full value of the money so exchanged, or the houses, lands and goods so sold or offered for sale, one half to go to the person who should prosecute to effect.

But this somewhat stringent act was not sufficient, and more legislation was called for. "The necessities and conveniences of life" rose rapidly, and exorbitant prices were demanded. This was attributed to "monopolizers, the great pest of society." To circumvent them, a law was passed in November, (1776,) regulating prices. "Labor, in the farming way, in the summer season," was not to exceed in price three shillings per day, wheat six shillings per bushel, rye three shillings and six pence, Indian corn three shillings, good wool two shillings per pound, the best grass fed beef twenty-four shillings per hundred, good West India rum six shillings per gallon, (by the hogshead,) best New England rum, three shillings and six



pence, &c., &c.; "all other necessary articles to be in a reasonable accustomed proportion to the above." Whoever violated this act was to "suffer the pains and penalties of the laws of this State against oppression."

In the following month, (December,) in accordance with the recommendation of the "committees of the several states of New England," a more detailed and stringent bill was passed on the same subject. The maximum price of several articles was raised, and the profits of wholesale and retail dealers prescribed. The penalty of transgression was the price of the article sold, but in no case was it to be less than twenty shillings. As the volume of the currency was increased, and commodities got dearer, new regulations became necessary. This policy, of course, proved ineffectual. A convention of delegates from the New England States and New York assembled in Springfield, July thirtieth, 1777, "for the purpose of holding a conference respecting the state of the paper currency, and the expediency of calling in the same by taxes or otherwise;" to consult together as to the means of preventing depreciation, and to take into consideration the "acts lately made to prevent monopoly and oppression," &c.\* According to Hildreth, they advised the levying of taxes for the support of the war, the redemption of bills of credit issued by state authority, the repeal of laws limiting prices, and the enactment of others against forestalling and engrossing.† Connecticut acted in accordance with the advice. In August, she repealed her laws against "excessive and unreasonable prices," and in October,‡ (1777,) passed "An act to encourage fair dealing, and to restrain and punish sharpers and oppressors." By this last act, no person could buy or sell (except in small quantities for his own consumption) certain enumerated articles—rum, sugar, molasses, wine, tea, coffee, salt, woolen, linen or tow cloth, stockings, shoes, hides, leather, wool, flax, cotton,

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\* Revolutionary War, VII., Doc. 390: MSS. State Library, Hartford.

† History of the United States, Vol. III., p. 227, (first series.)

‡ In speaking of legislative acts, I have always assigned to them the date of the month in which the Assembly came together, without inquiring whether the acts referred to were, in fact, passed in that month or the next following.

butter, cheese, wheat, rye, beef, pork, cider, tobacco, &c., &c., till he had become known as the friend of freedom, obtained a license, and taken the oath of fidelity. A breach of the act (which was to continue in force one year) was to be punished by forfeiture of double the value of the goods bought or sold. Congress observed with apprehension the effects of a redundant currency. She would fain check the rise of prices, and recommended conventions of the states. One was appointed to meet in New Haven on the fifteenth day of January, 1778, commissioners of all the northern states, Delaware included, to be present. Roger Sherman, William Hillhouse and Benjamin Huntington, were chosen by the Assembly of this State. It was to carry out the views of this convention that the Legislature attempted once more to regulate prices, and passed the law of February, 1778. It was more stringent and more comprehensive than any which had preceded it. It established the price of every important article, and made provision for those which were not enumerated. Labor of whatever kind was not to be more than seventy-five per cent. higher than before the war. Importers might (with certain exceptions) charge one continental dollar for each shilling sterling paid for his goods in Europe. Retailers of foreign goods were permitted to make a profit of twenty-five per cent. Inn-keepers might advance fifty per cent. on the wholesale cost of their liquors, &c., &c. The particulars of the law are too numerous to be mentioned here. Among other things, it declared that any person who should be convicted under it should pay a fine of not less than forty shillings, and be forever disqualified from holding office in this State, "or of prosecuting or maintaining any suit at law, or of taking out any execution." And no person whatever could "commence or maintain any suit, either in law or equity, in any court," till he had sworn "by the ever living God," that he had not been guilty of a breach of this act.

This was indeed sorry legislation, a disgrace to any people. It gives one an unsatisfactory opinion of the wisdom, not to say intelligence, of our revolutionary fathers. Men in the government, state and continental—good and great men, as we have been accustomed to think—altered the standard of values, and

then enacted that values should not be changed. They shortened the yard-stick—cut off twelve or twenty inches—and then decreed that it was still a yard-stick of full length, which should give to the purchaser an undiminished amount of cloth. In other words, they endeavored to compel the people to part with their labor or goods without an equivalent—to exchange two days' work for one, or for nothing. To carry out their schemes, stores were broken open by committees, the goods seized and sold at the established prices, and those who owned them branded as speculators, Tories, and the like.\* The action of Congress was calculated to destroy all confidence in the government. The state of things brought about by paper money and their own violent proceedings, was the apology which was offered for every oppressive measure. The army was in great need of woolen cloths, blankets, stockings, shoes, hats, &c., and they urged upon the states the necessity of seizing any of these things kept for sale—of seizing all stock and provisions required for the army, which had been “purchased up or engrossed by any person with a view of selling the same,” giving receipts to the owner. And as there were certain persons who, “instigated by the lust of avarice, were assiduously endeavoring, by every means of oppression, sharpening and extortion, to accumulate enormous gains,” they advised that the retailers of goods should be licensed, and their number limited; that no one should purchase clothing or provision required for the army (except for his own use) without a “certificate under the seal and sign manual of the supreme executive authority” of some state, and that “such punishment should be inflicted upon all atrocious offenders, as shall brand them with indelible infamy,” &c. These were harsh measures, “but (unhappy the case of America!) laws unworthy the character of infant republics are become necessary to supply the defect of public virtue, and to correct the vices of some of her sons.”† It pains me to say that the soundest men of the time—such men as John Jay, and the illustrious Washington—shared, on this sub-

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\* Pelatiah Webster's Essays, p. 11.

† Journal of Congress, December 20, 1777.



ject, the senseless prejudices of the day. To Reed, President of Pennsylvania, the latter wrote, December twelfth, 1778, as follows: "It gives me very sincere pleasure to find, \* \* \* that the Assembly is so well disposed to second your endeavors in bringing those murderers of our cause, the monopolizers, forestallers and engrossers, to condign punishment. It is much to be lamented that each state, long ere this, has not hunted them down as pests to society, and the greatest enemies we have to the happiness of America. I would to God that some one of the more atrocious in each state was hung in gibbets upon a gallows five times as high as the one prepared by Haman." A matter which so turned the wisest heads of the country, might be expected to excite the multitude. Nor were the complaints against the speculators, &c., wholly groundless. The blame, however, did not rest on them so much as on those who, by the continued emissions of paper money, tempted to speculation, guaranteed its success, and made it profitable. The "pestilent" race was called into life by bills of credit, and had these been stopped in season, they would have "hung" themselves.

The speculation which is the inevitable effect of excessive paper issues, is not without some collateral advantages. So far as it is carried on by means of cash, it multiplies the uses for money, creates a demand for it, and tends to make it scarce. In this way, the natural consequences of a cheap currency are, in a measure, counteracted. Depreciation is, to some extent, prevented or retarded. Speculation, then, as a secondary effect, establishes lower prices than would otherwise prevail. Similar results follow monopolizing, or "engrossing." When goods are withheld from market consumption is prevented, and future comparative abundance secured. This abundance will show itself in correspondingly reduced prices, when the hoarded articles are again thrown upon the market. These remarks are intended not to justify, but to explain.

To prevent the downward course of continental bills, Congress, January fourteenth, 1777, after resolving that said bills ought to pass current, and be deemed equal to gold and silver, and that any person giving or taking them at less than their par value, was an enemy to liberty, and should forfeit the

money or property exchanged, recommended to the several states to make them (as had already been done in several instances) a lawful tender, at their par value, in all payments, a refusal to take them to extinguish the debt.\* The advice was heeded. And as certain disaffected persons, doubtful of the result of the war, had ventured to show a preference for the old colonial bills, (those emitted before the war,) thinking, not unreasonably, that these were more likely to be redeemed than those issued at a later date, Congress declared such conduct "calculated to sap the confidence of the public in the continental bills," &c., and advised the states, December third, 1777, to call them in, giving for them new money, continental or state; those not presented for redemption within a limited time, to be refused payment. But all these measures, including embargo laws of the most harassing description, were of no avail. Goods and coin went up, and bills went down. You cannot make paper dollars, costing nothing, representing nothing, having no intrinsic value, and, when issued in excess, no certain exchangeable value, equal to gold and silver, or to anything else which is the product of labor. The experiment has often been tried, and always with one result; and the sooner politicians and (so called) statesmen find out their mistake, the better for the country. Penal acts, tender laws, "committees of inspection," mob violence, and military force, may frighten people, but they can never change the decrees of nature, or make irredeemable and depreciated paper money anything but a nuisance. Thus discourses our friend, Pelatiah Webster:

"It is not more absurd to attempt to impel faith into the heart of an unbeliever by fire and faggot, or to whip love into your mistress by a cowskin, than to force value or credit into your money by penal laws." \* \* \* \*

"The fatal error that the credit and currency of the continental money could be kept up and supported by acts of compulsion, entered so deep into the mind of Congress and all departments of administration through the states, that no considerations of justice, religion, or policy, or even experience of its utter inefficiency, could eradicate it; it seemed to be a kind

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\* Journal of Congress.

of obstinate delirium, totally deaf to every argument drawn from justice and right, from its natural tendency and mischief, from common sense, and even common safety."

"This ruinous principle was continued in practice for five successive years, and appeared in all shapes and forms, i. e., in tender acts, in limitations of prices, in awful and threatening declarations, in penal laws with dreadful and ruinous punishments, and in every other way that could be devised, and all executed with a relentless severity, by the highest authorities then in being, viz., by Congress, by assemblies and conventions of the states, by committees of inspection, (whose powers in those days were nearly sovereign,) and even by military force; and though men of all descriptions stood trembling before this monster of force, without daring to lift a hand against it, during all this period, yet its unrestrained energy ever proved ineffectual to its purposes, but in every instance increased the evils it was designed to remedy, and destroyed the benefits it was intended to promote; at best, its utmost effect was like that of water sprinkled on a blacksmith's forge, which indeed deadens the flame for a moment, but never fails to increase the heat and force of the internal fire. Many thousand families of full and easy fortune were ruined by these fatal measures, and lie in ruins to this day, without the least benefit to the country, or to the great and noble cause in which we were then engaged."\*

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\* Essays, pp. 129, 132.

Mr. Webster was a native of Connecticut, but *not* an uncle of the late Noah Webster, as stated by Gouge, in his History of Paper Money. He was graduated at Yale College in the class of 1746, studied for the ministry, and was afterward ordained. At a later period, he became a merchant of Philadelphia, and, at the breaking out of the war, met with considerable losses. He was in the habit of familiar intercourse with the delegates to Congress, and his house was the common resort of the members from Connecticut. His Essays, twenty-five in number, were printed at irregular intervals, mostly in pamphlet form, between 1776 and 1790. In 1791, they were gathered, by the author, into a volume of 504 pages, and copious notes added. They contain views far in advance of those most generally entertained at that day. The first essay, published in the Penn. Evening Post, October 5, 1776, suggests the law which limits and controls the value of a paper currency. "I conceive," (he says,) "the value of the currency of any state has a limit, a *ne plus ultra*, beyond which it cannot go, and if the nominal sum is extended beyond that limit, the value will not follow." In the same paper, he



The popular elamor against monopolizers, engrossers and speenulators, though known to be misdirected, was doubtless regarded with complaisance, if not favor. Men who were the guides of public opinion, feeling that the credit of the continental money must be upheld and confidence maintained, were quite willing to see the evils produced by it attributed to other causes. There was, to some extent, an endeavor to keep the masses in ignorance of the sources of their misery; or at any rate to permit a misconception when the states could profit by it. In 1778, some members of Congress proposed to pay a soldiers' bounty, one-half in coin. Washington objected to it. The measure, said he, in a letter to Gouverneur Morris, "would have a tendency to depreciate our paper money, which is already of little value, and give rise to infinite difficulties and irremovable inconveniences. Nothing after this would do but gold and silver. All would demand it, and none would consider the impracticability of its being furnished. The soldiers seeing the manifest difference in the value between that and paper, and that the former would procure at least five or six fold as much as the latter, would become dissatisfied. They would reason upon the subject," &c.\*

Congress was slow to learn or reluctant to acknowledge the necessary laws which govern currency and trade. They began with a wrong system and, turning away from the lessons of experience, obstinately clung to it. So late as November 19th, 1779, they earnestly recommended to the several states to prevent "engrossing and withholding" by the strictest legislation, and "forthwith to enact laws for a general limitation of prices, to commence from the first day of February next," on the basis of twenty in paper for one in specie.† When the

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advocates the calling in of bills of credit, to an extent "equal to the excess of the currency," by effectual taxation. I do not find evidence that Mr. Webster had ever read Adam Smith's *Wealth of Nations*, which made its appearance in the early part of 1776. Had he been acquainted with that immortal work, his expressions, which are often infelicitous and unscientific, would, I think, have shown it. His death took place according to the *Triennial of Yale College*, in 1795.

\* Washington's Writings, Vol. VI., p. 55.

† Journal of Congress.

recommendation was made, currency was worth at the rate of thirty-eight for one; when the new prices were to commence, forty-seven for one.\*

Practically, the attempt, by forcible means, to make paper dollars the equivalent of hard money or hard labor, increased the "real" price of every description of goods. A man will not work unless his industry can be rewarded; nor will he bring his commodities to market unless he can obtain for them a fair equivalent. If his corn, his cattle and his cloth, are wrested from him by atrocious laws and sold at half their value, he will stop production, and soon have nothing to sell. Or if he continues to labor, he must be paid for the risk he runs. If there is danger of being robbed, he who furnishes the goods must charge for insurance. So much was production diminished and the cost of articles increased by the violent measures taken to cheapen them, that early in 1780, "even hard money would buy little more than half so much country produce as before the war."†

It is a common error, even of those who, to some extent, shape public opinion, that a currency ought not to depreciate so long as the issuer is solvent. The "promises to pay" of a government which represents and controls the entire wealth of a country surely must be "good," so long as its obligations are not beyond its resources. If a sovereign state cannot make a good note, who can? But this line of argument overlooks certain important facts. What is a currency note, made a legal tender, with the unlimited power of issue? It promises to pay to the bearer, say, one dollar.‡ But what is a dollar under the operation of a tender law, with no restriction on the manu-

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\* P. Webster, 123, note.

† P. Webster, p. 107. These enhanced prices may have been, at this period, partly owing to the influx of specie and its temporary depreciation—a fact which will be referred to by and by.

‡ The continental bills promised "Spanish milled dollars;" but as the resolutions authorizing the issues called the bills themselves Spanish milled dollars, and designated no time for their redemption, the remarks in the text are not inappropriate. The treasury notes for currency of 1864 promise "dollars" to the bearer, without naming the time for payment.

facture? The term has no certain meaning. It signifies one thing to-day, another thing to-morrow. In the eye of the law, the rectangular bit of paper inscribed with the promise, is itself a dollar. So considered, it is possessed of no fixed value, and of course cannot measure anything which has value. It represents nothing solid or stable. Though to a man who would discharge a debt, (due perhaps in coin,) it is as good as a silver dollar or a day's labor, to the receiver, it may not be worth the tenth part of that amount. A hundred like it might not enable one to purchase a breakfast. Did it promise to pay, on demand, or in sixty days, so many pounds or ounces of shingle nails, or so many dozen of solid-headed pins, the case would be different. It would then have something like a definite value, provided there were confidence in its prompt redemption. But an agreement to pay in dollars, ("Spanish milled," if you please,) when the law has declared that agreement is payment—that the promise of a dollar is itself a dollar—that fragments of pictured paper printed without limit on government presses are the solid coin—is without significance. It secures nothing; it pledges nothing. In effect, it promises nothing. No matter what may be the wealth of a government, such an agreement does not make over to the holder of its paper any known part of that wealth. The contract may be fulfilled without anything of a determinate value passing from debtor to creditor. The pledge may be redeemed by returning to the person demanding payment the identical picture which he had offered for redemption. The solvency of a nation has not necessarily anything to do with the value of its notes of circulation. A bankrupt state—one that nobody will trust for a farthing—having the authority to enforce its decrees, can make as good a currency as any other, even that of "the best government on earth." Neither can do more than furnish a circulating medium which, when accepted as such, and issued in excess, will decline in value in proportion to its abundance. The only reason that it is worth anything is the fact that it performs the functions of a currency, and is the recognized medium of exchange. It is true, it may have a speculative value depending on the opinions entertained as to what the



government may, from choice, finally do with it. If it is the expectation that it will, at last, be redeemed in something better than unmeaning promises, this circumstance will give it a distinct value—a value in addition, perhaps, to its currency-value. In the last case, currency-notes would cease to be currency. They would be withdrawn from circulation and held for investment.

The amplest provision of funds to secure the redemption of bills of credit at maturity will not prevent their depreciation. This truth is sufficiently illustrated by the history of the colonial currencies before the war. Still, the fact seems never to have been understood. Legislatures persisted in thinking that when a tax had been granted, payable in bills, in three, five, or ten years, sufficient to sink the whole, due precautions had been taken to secure a sound currency. This error was so firmly planted that the experience of the Revolution could not uproot it. "The evil of depreciation," wrote Gov. Trumbull, in his celebrated letter to Capellan, dated August, 1779, "had its rise in, and owes all its rapid increase to, the single cause of our not having provided, at a sufficiently early period, for its reduction and payment by taxes."\* Men appeared unable to comprehend the principle, already commented on, (nor do they yet fully understand it,) that a currency issued in excess, whatever the circumstances, must, so long as it is used as currency, decline in value in proportion to that excess. It is true, the certainty of redemption, in *coin*, at a fixed time, will present a limit to depreciation; but this effect is brought about by the withdrawal of bills from circulation. When paper money has become so cheap, or has so declined in value, that it is worth more to hold for redemption than to pay out as money, it will be laid aside. Those seeking investments and wishing the highest rate of interest will file it away with their promissory notes. Thus the currency is contracted and its value sustained. As compared with coin, it cannot fall below a certain limit, this limit being determined by the time the bill has to run, the current rate of interest, and the confidence with which prompt

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\* See Stuart's Life of J. Trumbull, Sen., p. 462.

payment is expected. The same principles apply to a currency note bearing interest. The interest will not prevent its depreciation, even though regularly paid, unless it be sufficiently high to tempt some one to stop its circulation, and hold it for final redemption. There is, in fact, no method possible by which the value and credit of a redundant currency can be preserved which does not, in some way, reduce its volume. Legal tender acts can reverse no law of nature. Restrictions on prices, a perfect system of taxation, hopeful financial prospects and solid wealth can have no effect, so long as the quantity of money is the same.\* Would that self-styled statesmen understood this truth!

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\* I have just received (November, 1864) the "Speech of Henry G. Stebbins of New York City," delivered in Congress, March 4, 1864. A considerable part of his remarks are much in the strain of the memorable "circular letter" of Congress of September 13, 1779. He argues, strenuously, in favor of the ability of the government to pay all its debts. He shows by incontestable figures how rich we are, (or were,) and for proof refers to the census tables of 1860. He speaks of our coal, iron, silver, and lead mines, and dwells with pride on the "prolific sides," and the "huge volumes of treasure" of the Rocky Mountains. He cannot doubt the financial ability of the country, for "westward the star of empire takes its way." In view of the security offered, he is unable to understand why the \$400,000,000 of government legal tender notes "should sell at from thirty-three and a third to forty per cent. discount." Now I would like to ask Mr. Stebbins what the "security" which he speaks of has to do with the worth of the notes? They pledge to the holder not coal, or iron, or gold, or western lands, or the smallest item of wealth, but only "legal tender." The dollars which they agree to pay have no outside existence—no existence save in the ink of the printer. What bearing, then, has the wealth of a nation on the value of its tender notes? Were our means of payment increased a thousand fold, these notes would be worth no more. Nor would the depreciation of the currency be prevented though all the real property of the country were mortgaged for its redemption, so long as its quantity was undiminished—so long as no one was tempted to convert notes into real property. The "assignats" of France, first issued in 1789, were "secured" by the crown lands, and the confiscated estates of the church, of the monasteries and the emigrants, amounting, it is said, to half the territory of the nation. Into these lands, they might be converted at the pleasure of the holder. Their circulation was enforced by the severest laws. Any person who refused to receive them in payment for debt was condemned to twenty years' confinement in irons, while "forestalling" was declared to be a capital offense. (See Alison's History of Europe, I., 315, Harper's Ed.) The depreciation was but three per cent. for the first twelve months, and but moderate for the first two years. At the fall of Robespierre, in July, 1794, the issues amounted to nearly \$1,500,000,000,

In countries in which depreciated paper is the common currency, the precious metals have lost their peculiar functions. They are no longer money; they are simply commodities. But as they are the product of labor, and represent a nearly uniform amount of it, they may still be used to measure values. They maintain the same relation to other things that they did before, and are given, in the way of exchange, in the same proportions. They may be employed as the measure of paper money as of other things. Known to every people, generally recognized as the medium of trade, largely used to pay off international balances, promptly indicating disturbances in the commercial world, they have peculiar advantages when thus employed. The price of gold or silver, considered as a commodity, does not govern the price of paper—does not cause its depreciation—a fact which some men in high positions cannot or will not understand. Gold and silver might be struck out of existence without a change in the value of paper money—of paper money as measured by any fixed standard. Nor do these metals govern the exchangeable price of industrial products. A bushel of wheat would have exchanged for two bushels of Indian corn, or for a pair of shoes, or for a definite number of depreciated paper dollars, though “hard money” had never been known. Gold and silver indicate, with considerable certainty, the fluctuations of other things, but control nothing into which they do not themselves enter. They are of little importance to a country which has proscribed them as a currency. They supply no fundamental want, and their absence would only deprive a people of certain articles of plate, jewelry, &c. Though convenient for export and for paying off international balances, foreign trade could be carried on very well without them.

The relations of commodities, one to another, as it regards

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and finally to some \$1,750,000,000, (or, according to a French Encyclopedia published in 1857, to 45,578,000,000 francs,) all “secured” by the pledge of public property. A dinner, in 1795, cost, in assignats, ten thousand francs! The end was, of course, repudiation and national bankruptcy. The catastrophe was hastened, it is true, by a doubt about the security, and a well grounded apprehension that the revolutionary government and its acts might come to an untimely end.



price, are not affected by depreciated paper money. These cannot be altered so long as the labor required to produce them is unchanged. If the products of industry, including the precious metals and labor itself, are measured by a fluctuating paper standard, their prices will vary, but vary alike, and in one direction. They will move up or down together, as the currency is expanded or contracted, without losing the established relations existing among themselves. To speak correctly, the alteration which they seem to undergo is but seeming. The change is in the money which measures, and not in the things which are measured.

## CHAPTER VII.

### METHODS ADOPTED BY CONGRESS TO SUPPLY THE TREASURY AND REPAIR THE FINANCES.

AFTER the public credit had been shaken by large issues of paper money, Congress attempted, October third, 1776, to raise money by loan, and committed the grave mistake of offering for it less than the market price. They resolved to borrow immediately "five million of continental dollars," at four per cent. annual interest, in sums of not less than three hundred dollars, and recommended that a loan-office should be established in each state, a commissioner for the same to be appointed by said state. The Connecticut Assembly, December, 1776, chose John Lawrence of Hartford, (State Treasurer,) to fill the office, and pledged the State to deliver United States three years loan-office certificates, (or treasury notes,) bearing four per cent. interest, to all subscribers. The scheme of course failed. Afterward, February twenty-sixth, 1777, the rate of interest on money borrowed, or to be borrowed, was

raised to six per cent. Other certificates were put upon the market, though those already offered had not been disposed of. To make them more saleable, the interest was made payable, not in depreciated bills, but in drafts, "at thirty days sight," on the United States commissioners in Paris, five livres being reckoned as equal to one dollar. (The livre was overvalued about six per cent.) Foreign drafts were often resorted to by Congress when they got out of money, and wished to gain time. There were frequently no funds to meet them, and they came back protested. From the loan-office certificates, some assistance, *in currency*, was secured.

Congress endeavored to obtain an additional supply of money by a lottery. A resolution in favor of one "for defraying the expenses of the next campaign," was adopted November first, 1776. A scheme was reported and forthwith approved. The object was not to obtain a profit, but to procure a loan. As I understand it, the prizes amounted to \$5,000,000, less fifteen per cent., ten of the fifteen to go to the managers. These prizes were to be paid in "treasury bank notes," or loan-office certificates, to run five years at four per cent. annual interest. The tickets were to be paid for in "ready money," and to be drawn in four classes, "the first to begin at Philadelphia on the first of March, 1777." The tickets sold but slowly, and the drawing was postponed, from time to time, till May first, 1778. Before the third class was drawn, which was not till March first, 1780, the interest on the loan-office certificates for prizes was raised to six per cent., while the unsold tickets were to "be the property and at the risk of the United States." The drawing of the fourth class was appointed for the first Monday of April, 1781. On the twenty-first day of December, 1782, Congress resolved that lottery tickets which had drawn prizes should be received and certified as claims against the United States, "at the rate of one dollar in specie for forty of such prizes."

There were many disaffected people in the country—loyalists and enemies to liberty. They were numerous in Connecticut. It was thought that some money or means might be obtained from them—and why should not they be made to

pay? September twenty-seventh, 1777, Congress resolved that the Board of War be directed to coöperate with General Washington in "effectual measures for supplying the army with fire-arms, shoes, blankets, stockings, provisions, and other necessaries; and that, in executing this business, these collections be confined, as much as circumstances will permit, to persons of disaffected and equivocal characters." Soon after, the several states were "earnestly recommended, as soon as may be, to confiscate and make sale of all the real and personal estate of persons who have forfeited the same, and the right to the protection of their respective states, and to invest the money in loan-office certificates," &c. The advice was not unheeded. In most of the states that had not already acted, laws were passed proscribing all wealthy absentees by name, and putting their property into the hands of trustees. As a financial expedient, however, "this procedure proved a complete failure; but it gratified party hatred, and served to enrich some speculators."\*

In addition to these measures to secure the means required for the war, Congress, urged by the critical condition of affairs, but without any rightful authority, clothed General Washington, late in December, 1776, with the power "to take, wherever he may be, whatever he may want for the use of the army, if the inhabitants will not sell it, allowing a reasonable price for the same; and to arrest and confine persons who refuse to take the continental currency, or are otherwise disaffected to the American cause." Other powers were given which made Washington dictator "for and during the term of six months"—powers, wrote Robert Morris, that Congress "durst not have trusted to any other man." He did not abuse the trust.

Congress had no financial system during the early years of the Revolution. Fearing the war would become unpopular, they proposed no taxes for two years and a half—a nearly fatal blunder. They valued liberty, but were opposed to the burdens necessary to maintain it. At last, they were driven into a

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\* Hildreth, III., p. 229, (first series.)



different policy, and proposed, November twenty-second, 1777, to raise "in the course of the year, 1778, commencing January first, by quarterly payments, \$5,000,000, by a tax on the states. The proportion assigned to Connecticut, until the accounts could be finally adjusted, was \$600,000, or nearly one-eighth of the whole ;\* to provide for which the Assembly promptly laid two rates of twelve pence each, both payable within the year 1778. At the same time, Congress proposed an important measure to the states, one which had been recommended by the Springfield Convention, and which was urged by the General Assembly of Connecticut. While continental paper money, payable in "Spanish milled dollars," was worth but thirty-three and a third per cent. they "earnestly recommended the several states to refrain from further emissions of bills of credit, and \* \* \* forthwith to call in by loans or taxes, and to cancel the paper money, small bills for change under a dollar excepted, which such state has already emitted ; and, for the future, to provide for the exigencies of war, and the support of government by taxes," &c. Connecticut, unwearied in her endeavors to promote the common cause, was ready for the change. In February, 1778, she enacted that no more bills should be issued for currency by her authority ; that those in circulation should be taken up and canceled by loans, and that the charges of the government should be met by taxes. It was also enacted that none of the bills of this State, except those under one dollar, should "be current in any payment, trade or dealing after the twentieth of March next," though they might be received into the Treasury for taxes till the first day of July. The last named period was afterwards extended to March 1st, 1779. While the state bills were, in this way, proscribed as money, holders of them were permitted, till the said twentieth day of March, 1778, to exchange them for the Treasurer's promissory notes, "or bills emitted on the credit of the United States." The said Treasurer's notes

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\* Journal of Congress. Connecticut, at this period, had a population of about two hundred thousand, or one-fourteenth of all the states. She afterwards complained that her proportion of the money-requisitions was too large.

were to carry interest at six per cent., and to run one year. None was to be for a less sum than ten pounds, and the whole were not to exceed £235,000,\* the estimated amount, probably, of the outstanding bills of one dollar and over. In April, 1779, the said bills, which were "not yet brought in," were still to be taken by the Treasurer, and continental money given in exchange for them till the ensuing September. By these measures the state issues of the higher denominations were withdrawn from circulation, and no more is heard of them as a part of the currency. The small remnant which remained, though forfeited by the neglect of holders, was presented and allowed as a claim against the United States government, under the Constitution, forty for one.

In May, 1777, the Treasurer of the State was ordered to borrow not exceeding £72,000, "in continental bills or bills of this State," and to issue his notes, payable in one year, with interest at six per cent., said notes to be for sums of not less than thirty pounds. In May, 1778, the Treasurer was instructed to borrow £100,000, also at six per cent., payable in two years. At the same session, it was ordered that the holders of the ten pound notes which were authorized to the extent of £60,000 to be paid as premiums to enlisted soldiers, in December, 1776, redeemable in three years, should, after June 1, 1778, receive six per cent. per annum instead of four, as stipulated. One year later, (May, 1779,) a committee was directed to obtain a further loan of £45,000, at six per cent.

December sixteenth, 1778, Congress resolved to raise in the ensuing year, \$15,000,000, by taxes. In addition to this, the states were called on, December thirty-first, "to pay their quotas of \$6,000,000, annually, for eighteen years, commencing with the year 1780, as a fund for sinking the loans and emissions of these United States to the thirty-first day of December, 1778, inclusive." The bills emitted prior to 1780, and no others, were to be taken on these quotas. Those received, when

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\* December 15th, 1788, the state auditors burned £311,140, in notes given "in 1777, &c., for bills of the old emissions," for which notes new ones had been issued for their specie value and interest, dated February 1st, 1781. See Finance and Currency, Vol. V., Doc. 281, 275, 276.

not wanted for the payment of the interest or principal of loans, were, "together with the \$15,000,000 for the year ensuing, not to be reissued, but burned or destroyed." Having thus provided (on paper) for the past, Congress proposed to make sure of the future by a grand demonstration in the way of paper money. They ordered ("the faith of the thirteen United States" being pledged) \$50,000,400, on the fourteenth day of January, and other smaller sums in February, April and early in May. At length, they became frightened at their own temerity. Bills were worth but twenty-two for one in specie, when the states were required, by a resolution dated May nineteenth, 1779, to pay their respective proportions of forty-five millions before the first day of the following January, Connecticut's quota being \$5,100,000, Massachusetts' but \$6,000,000. Notwithstanding "the present ease of paying," (I use the language of Congress,) the states did not respond. The amount of taxes paid to the continental government, during the war, up to September thirteenth, 1779, was but \$3,027,56, (in currency, I suppose;) while the whole sum contributed by the American people, in any shape, (in taxes and loans,) was no more than \$36,761,666. Of the loans \$7,545,197 were borrowed before the first day of March, 1778, the interest on which was payable in France; and \$26,188,909, since the said first of March, the interest payable here. Besides these sums, there was "money due abroad, not exactly known, supposed to be about \$4,000,000," for which values had been received. The other funds for the support of the war had been obtained by bills of credit which, at this period, amounted to nearly \$160,000,000. The "Board of Treasury" had declared in May previous that it was "impracticable to carry on the war by paper emissions, at the present enormous expenses of the commissary-general's, quartermaster-general's, and medical departments." Congress made known, in June, (1779,) its "intention not only to avoid further emissions, but to diminish the quantity in circulation;" and yet, the flow of paper money continued. The flood rose higher and higher, and the currency got worse and worse. Over \$100,000,000 were issued in the first eight months of 1779. Under these circumstances,



the most desperate efforts to bolster up the tottering fabric of public credit were vain. Congress appealed to the country again and again, and the appeals were read in the churches. They begged, cajoled and threatened; talked of the resources of the country; of immutable justice and plighted faith; of the ruin and disgrace of repudiation; and then went off in a rapture at the excellencies of a paper currency. "Let it be remembered," they exclaimed, "that paper money is the only kind of money which cannot 'make to itself wings and fly away.' It remains with us; it will not forsake us; it is always ready and at hand for the purpose of commerce or taxes, and every industrious man can find it." And this wretched sophistry, intended to blind the people, received the unanimous approval of a body of chosen statesmen, including such men as John Jay!\* And what is not a little remarkable, the "circular letter," in which is found this choice specimen of rhetoric, makes the following admission:—"The moment the sum in circulation exceeded what was necessary as a medium in commerce, it began and continued to depreciate in proportion as the amount of the surplus increased." As early as the twenty-second day of November, 1777, a resolution of Congress announced the law which governs a superabundant currency. This is its language:—"No truth is more evident than that where the quantity of money of any denomination exceeds what is useful as a medium of commerce, its comparative value must be proportionately reduced." Though the true principle was, in this manner, occasionally acknowledged, it was not recognized as a living, practical truth—was not allowed to have its legitimate influence on the legislation of the country.

I do not here forget the well understood fact that the amount

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\* It appears from the *Life and Writings of Mr. Jay*, Vol. I., p. 88, that this somewhat celebrated letter, addressed by Congress to the people, (see the *Journal of Congress*, September 13th, 1779,) and so "distinguished for perspicuity, eloquence and patriotism," was drawn up by that distinguished and able statesman. Congress, of which he was then president, took the unusual course of requesting of him this service. To appreciate the effort, it should be mentioned that Adam Smith's celebrated "*Wealth of Nations*," which sets forth clearly the nature and functions of money, had then been before the world three years and a half!

of money, technically so called, does not alone govern the prices of commodities. There are, among commercial peoples, in the advanced periods of society, certain money-saving expedients which are made use of to facilitate exchanges. These, to the extent that they are employed, diminish the amount of money required for the business of the country. Most of the large payments, in the great commercial centres, are, at the present day, made by means of deposits in bank, or ledger credits. The average deposits of the associated city banks of New York, at this time, (October, 1864,) are about \$146,000,000, while the circulation is only some \$4,130,000. These two sums represent, approximately, the amount which those doing business with these institutions must keep on hand for making payments. Each answers a similar purpose. Both serve to transfer values. As a general rule, deposits (controlled by means of checks or drafts) are employed for the larger, and notes of circulation (or specie where this is in use) for the smaller transactions. The proportion between the two, required for the business of a people, depends on several circumstances which cannot be determined with certainty. Where the population is sparse, and a retail trade only is carried on, exchanges are made, almost wholly, by currency. This condition of things exists in the earlier agricultural stages of society. In the first and middle periods of the Revolution, there were no banks, and trade (barter being left out of the account) was carried on by means of money. In a place like New York, at this day, probably ninety-five or ninety-seven per cent. of the exchanges are effected by means of bank deposits. The "clearings" of the associated banks, at the clearing-house, show the magnitude of the business done by checks and drafts. They amount, at this time, (October, 1864,) to about \$500,000,000 per week; while the "balances" which are paid in money, or some substitute for it, equal only some \$16,000,000, or but a little over three per cent. of the gross amount. If we embrace in one view both city and country, or, say, all the states of the Union, the currency used in trade and commerce would probably equal the deposits. According to the finance report of the Secretary of the Treasury, made in 1863, the aggregate circulation

of all the banks was, in the year next before the present war, \$202,005,767, and the deposits \$257,229,562. But to the former amount must be added the specie then in the hands of the people, in order to show the proportion of currency to deposits. Were this addition made, the lesser might be converted into the larger sum. There are, however, many circumstances to be taken in the account in determining this proportion.

Does any one doubt whether deposits do in fact perform the functions of money, and thus save currency? That they do is shown by the obvious fact that all payments might be made by checks and drafts. Thus what is called a circulating medium might be dispensed with entirely. It would be inconvenient, however, both to individuals and to banks, to manage a retail business in this way. So goods might be exchanged directly, and of course without the intervention of a medium of any kind, as in the case of barter. This is done, to a large extent, in every farming community. Under the pressure of necessity, it might be done so as nearly or wholly to exclude the use of money. The quantity of money of a country, then, need not bear any absolute ratio to its business transactions, or to the prices of commodities. To get at this ratio, we must take an account of exchanges made by means of checks and drafts, and in the way of barter. Could we make an estimate of the money required for every description of trade, and then assume that the transfer of money concluded every commercial act, and discharged every obligation, we could tell the effect which would be produced (I mean the permanent effect) by any addition to the money of a country. If one hundred millions were demanded and used as currency, and fifty millions were added to the sum, the prices of all goods, and of everything produced or controlled by labor, would be raised fifty per cent. This would be the effect, as deduced from inevitable law. Speculation and other temporary influences might modify the result, but these could not annul, or suspend, or delay (except for the moment) the operation of the law.

The time at last came when restrictive legislation, backed by poor declamation, would not satisfy the people. Congress felt constrained, in view of the bottomless pit into which the conn-



try was sinking, to promise some limit to their own action—some limitation of paper issues. These issues which were in circulation on the first day of September, 1779, amounted to \$159,948,800. At that date, Congress resolved that they would “on no account whatever, emit more bills of credit than to make the whole amount of such bills \$200,000,000.” Nor would they increase the sum beyond its present limit, unless “absolutely necessary.” Four days after the date of the “circular letter” announcing these excellent resolutions, and before, probably, it had been printed and put in circulation, \$15,000,260 in bills of credit, “on the faith of the United States,” were authorized. As Congress sat with closed doors, the members being pledged to the strictest secrecy,\* the public, doubtless, did not know of this speedy renewal of paper issues.

On the twenty-ninth day of November, 1779, the whole of the deficiency, equaling \$40,051,120, was made up. Then, when continental money had lost thirty-nine fortieths of its value, the promise “to stop the press” was redeemed. Only ten days before the last of the paper emissions was resolved on, Congress attempted, once more, to put in operation the restrictive policy. It “earnestly recommended to the several states forthwith to enact laws for establishing and carrying into execution a general limitation of prices,” on the basis of twenty in paper for one in specie. It also proposed “strict laws against engrossing and withholding.” A stringent “act to prevent sharpening and engrossing” had already been passed by Connecticut, while a modified law to regulate prices was enacted the succeeding January.

Though it is affirmed that the bills in circulation did not, at any one time, exceed \$200,000,000, yet, the whole amount issued was largely in excess of that sum. The authorized emissions, with the date, as I have been able to glean them from the printed Journal of Congress, poorly indexed, amounting to \$242,052,780, were in accordance with the following table.

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\* See Journal of Congress, May 11, 1775, and April 30, 1783. Notwithstanding the pledges of members, the British government was promptly apprised of all the important proceedings of Congress.

The issue of \$10,000, however, which was ordered January fifth, 1776, "for the purpose of exchanging ragged and torn bills," is not included. I have also omitted the \$10,000,000, less five dollars, authorized January fourteenth and May seventh, 1779, which were designed to take the place of the counterfeited emissions of May twentieth, 1777, and April eleventh, 1778.

1775. June 22, . . . . .	\$ 2,000,000
July 25, . . . . .	1,000,000
November 29, . . . . .	3,000,000
	—————\$ 6,000,000
1776. February 17, . . . . .	4,000,000
May 9 and 22, . . . . .	5,000,000
July 22 and August 13, . . . . .	5,000,000
November 2, . . . . .	500,000
November 2 and December 28, . . . . .	5,000,000
	————— 19,500,000
1777. February 26, . . . . .	5,000,000
May 20, . . . . .	5,000,000
August 1 and 15, . . . . .	1,000,000
November 7, . . . . .	1,000,000
December 3, . . . . .	1,000,000
	————— 13,000,000
1778. January 8, . . . . .	1,000,000
January 22, . . . . .	2,000,000
February 16, . . . . .	2,000,000
March 5, . . . . .	2,000,000
April 4, . . . . .	1,000,000
April 11, . . . . .	5,000,000
April 18, . . . . .	500,000
May 22, . . . . .	5,000,000
June 20, . . . . .	5,000,000
July 30, . . . . .	5,000,000
September 5, . . . . .	5,000,000
September 26, . . . . .	10,000,100
November 4, . . . . .	10,000,100
December 14, . . . . .	10,000,100
	————— 63,500,300
1779. January 14, . . . . .	50,000,400
February 3, . . . . .	5,000,160
February 19, . . . . .	5,000,160
April 1, . . . . .	5,000,160
May 5, . . . . .	10,000,100
June 4, . . . . .	10,000,100
July 17, . . . . .	5,000,180

1779. July 17, .....	\$10,000,100	
September 17, .....	5,000,180	
September 17, .....	10,000,080	
October 14, .....	5,000,180	
November 17, .....	5,000,040	
November 17, .....	5,050,500	
November 29, .....	10,000,140	
	<hr/>	140,052,480
		<hr/>
		\$242,052,780

I also give an account of the dates and denominations of the bills, prepared from the private collection of a friend and from the Journal of Congress :

- 1775. May 10th, \$1, 2, 3, 4, 5, 6, 7, 8, 20, 30.
- 1775. November 29th, \$1, 2, 3, 4, 5, 6, 7, 8.
- 1776. February 17th,  $\frac{1}{6}$ ,  $\frac{1}{3}$ ,  $\frac{1}{2}$ ,  $\frac{2}{3}$ , 1, 2, 3, 4, 5, 6, 7, 8.
- 1776. May 9th, \$1, 2, 3, 4, 5, 6, 7, 8.
- 1776. July 22d, \$2, 3, 4, 5, 6, 7, 8, 30.
- 1776. November 2d, \$2, 3, 4, 5, 6, 7, 8, 30.
- 1777. February 26th, \$2, 3, 4, 5, 6, 7, 8, 30.
- 1777. May 20th, \$2, 3, 4, 5, 6, 7, 8, 30.
- 1778. April 11th, \$4, 5, 6, 7, 8, 20, 30, 40.
- 1778. September 26th, \$5, 7, 8, 20, 30, 40, 50, 60.
- 1779. January 14th, \$1, 2, 3, 4, 5, 20, 30, 35, 40, 45, 50, 55, 60, 65, 70, 80.

In a report made to Congress by the Register of the Treasury, January twenty-fourth, 1828, and printed in the American State Papers, Finance, volume fifth, page 764, the authorized issue of \$500,000, November second, 1776, in bills of two-thirds, one-third, one-sixth and one-ninth of a dollar, is overlooked. No bills of the last denomination are known to antiquarians, and it is believed that none was ever emitted. And from the fact that no fractional notes, bearing the date of November second, 1776, have been discovered, it has been inferred that the entire issue was suppressed. But this inference is not fairly drawn. It was not customary to give a new date to each emission, as will be seen by an inspection of the preceding tables. Old plates would naturally be employed so long as they were fit for use; and when new ones were engraved, old dates often seem to have been preserved. I have been unable to find any proof that the bills of November second, 1776, which were of the same denominations as those



authorized the seventeenth of February preceding, were *not* issued.

Breck, in his Sketch of Continental Paper Money, page eighteen, makes a great mistake when he says that the continental emissions, during the war, were "about \$300,000,000." The table which Gouge gives, (taken from the American Almanac,) in his History of Paper Money, page ten, which makes the old issues \$357,476,541, represents, if I understand it, not the original emissions merely, but the entire disbursements of the Treasury, in continental money, from the beginning to the close of the war.

After Congress had ceased to issue more bills, the Treasury continued to pay out those which were received. About \$83,000,000, old tenor, were disbursed in 1780, and over \$11,400,000 in 1781. The specie value of the whole must have been less than \$2,000,000.

The pride of France had been deeply wounded by the treaty of 1763, and she rejoiced to see England in the way of being humbled. At an early period, a disposition was shown to help the revolted American Colonies. Arthur Lee, the agent of the secret committee of Congress, in London, in the spring of 1776, entered into negotiation with Beaumarchais, an eccentric French courtier and dramatist, and the confidential agent of the French ministry. Lee, according to his own statement, was promised assistance, in the way of gift, to the extent of two hundred thousand louis-d'or, nearly \$1,000,000, in arms, ammunition and specie; but the affair was to be managed in the most secret manner possible, to avoid a rupture with England. To turn aside suspicion, it was arranged that the business should be done through a commercial house bearing the fictitious name of Roderique, Hortales and Co., of which Beaumarchais was the responsible head. His receipt shows that he received from the court of France, June tenth, 1776, (before the declaration of independence,) one million livres. August eleventh, of the same year, a like amount was put into his hands, contributed, at the solicitation of the French King, by the Spanish government. In May, June and July of the next year, France made other

advancements to the extent of 1,074,496 livres.\* These several sums amount to \$569,437.

Beaumarchais, entering enthusiastically into the scheme of the French ministry, became a great Spanish merchant and "rebel sympathizer." He hired "an immense house" in Paris, installed himself in it with his officers and clerks, borrowed "from the different state arsenals two hundred cannons, mortars, shell, cannon balls; twenty-five thousand guns, two hundred and ninety thousand pounds of powder, and clothing and tents for twenty-five thousand men." His first three ships, escaping the English cruisers, "arrived at the commencement of the campaign of 1777, in the roads of Portsmouth."† Other vessels, with their cargoes, arrived at a later period. In the mean time, the French court, pressed by the English ambassador, denied (notwithstanding what had occurred) having any knowledge of the transactions of their secret agent. Beaumarchais ingeniously took advantage of his position. Though "M. de Vergennes, the minister, and his secretary had repeatedly assured" Arthur Lee "that no return was to be expected for these cargoes, or for what M. de Beaumarchais furnished us," the latter, alledging that the shipments had been made on his own private account, presented a claim against Congress for advances—a claim for "divers invoices and cargoes shipped"—amounting, according to the Journal of Congress of June fifth, 1779, to 4,547,593 livres, nearly £200,000 sterling. This demand, after the assurances of Lee, was indeed a surprise. But Beaumarchais, who had become deeply involved in debt, was importunate, and the sum above named was, at length, paid, one million livres (which were known, at the time, to have been furnished by France, for the benefit of the United States, to *some one*) having been first deducted. This course appears to have been taken to prevent the exposure of cabinet secrets. Beaumarchais was not satisfied with the deduction, and continued his suit for the

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\* For several of these facts I am indebted to a curious volume, translated from the French, entitled "Beaumarchais and his Times," by Louis de Loménie, published by Harper & Brothers, 1857. See Chapters XVIII, XIX, XX.

† *Ibid.* pp. 289, 294.

balance. His renewed application, strangely enough, was favored by the court of France. At length, after the overthrow of the French monarchy, when reasons for concealment no longer existed, the name of the person to whom was paid the one million livres advanced, June tenth, 1776, was produced. Old suspicions were confirmed, the receipt being signed by *Beaumarchais*. The latter, notwithstanding, persisted in his claim, and after his death, in 1799, his heirs continued to press it. On this claim, Congress, wearied with importunity, allowed, in 1835, eight hundred thousand francs.

In the first volume (chapter tenth) of Pitkin's Political and Civil History of the United States, may be found a good and apparently truthful account of this mysterious affair. Pitkin, however, relies on the declarations of Arthur Lee to prove the original intentions of the French court. The author of "*Beaumarchais and his Times*" controverts the statements of Lee, and accuses him of "falsehood," &c. The truth is the French minister prevaricated and shuffled. He took effectual measures to help the Americans, and then, wishing to escape the charge of bad faith, denied what he had done. During the progress of the negotiations for peace, he declared to the British minister, in the presence of Dr. Franklin, that "independence was declared by the Americans *long before* they received the least encouragement from France, and he defied the world to give the smallest proof to the contrary."\*

Beside the assistance which the United States received through Beaumarchais, the French government paid directly to the American commissioners, previous to the treaty of February, 1778, and as a gratuity, two million livres.† In addition to this amount, one million livres were loaned by the farmers-general of France.

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\* Franklin's Works, Vol. IX., p. 274, Spark's edition.

† In the articles of settlement between Franklin and the French minister, dated February 25th, 1783, which will be found in the Appendix to the last volume of the Journal of Congress, "the aids granted by the King to the United States" are recapitulated. In the third class are comprehended "the aids and subsidies furnished to the Congress, under the title of gratuitous assistance from the pure generosity of the king, 3,000,000 of which were granted before the



After the capture of Burgoyne's army, in October, 1777, it became evident that the dismemberment of the British empire might, by timely assistance to the Americans, be made certain. France, therefore, desiring to take an open part in the struggle, sought an alliance with the United States, and signed a treaty, dated February 6th, 1778. Material aid was also rendered in the way of loan—three million livres in the course of the year 1778, one million in 1779, four million in 1780, four million in 1781, and six million in 1782; in all eighteen million livres, or \$3,333,333, at five per cent. annual interest. The interest, however, was afterwards remitted till “the date of the treaty of peace” with England—a favor which the minister of Congress acknowledged “to flow from the pure bounty of the King.” Beside all this, France, in 1781, furnished in way of subsidy, six million livres, and guaranteed a loan, at four per cent., made in Holland, of five million Dutch florins, equal to ten million French livres. Including all these items, the French government, during the war, assisted the United States to the extent of thirty-seven million livres, nine million by subsidy, (including the one million paid to Beaumarchais in June, 1776,) eighteen million by loan, and ten million by guarantee, the whole equaling \$6,851,852. This sum does not include the one million livres from the farmers-general; nor does it comprehend a loan of six million livres, at five per cent. interest, which, in February, 1783, was made “from the funds of the royal Treasury,” at the solicitation of Franklin, to “meet urgent and indispensable expenses.” Other moneys were obtained from other sources. Mr. Jay, with much difficulty, borrowed \$150,000 of Spain, in 1781, at five per cent. interest; while John Adams, in June, 1782, contracted with “certain lenders” in Holland, for a loan, at a similar interest, of five million guilders, or ten million French livres, on which contract \$671,200 had been paid, April twenty-ninth, 1783.

The above were all the sums which the agents of Congress

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treaty of February, 1778.” To make the three million livres, it will be necessary to include the 1,000,000 paid to Beaumarchais, June 10th, 1776, and to exclude the other sums furnished him, 1,074,496 by France, and 1,000,000 by Spain.

were able, by the greatest efforts, to beg or borrow from the courts and capitalists of Europe till after the close of the war. In the aggregate, they amounted to \$8,639,348, counting only so much of the last Dutch loan as had been received at the last mentioned date. They were quite disproportionate to the need of the states; but were, nevertheless, a great help. The alliance with France was an important event, happening at a most interesting period of the war. It made certain a result which was before doubtful; but it did not give the relief which was expected. Above all, it did not rescue the perishing credit of the continental government, so recklessly sacrificed by paper money and bad management.

The depreciation of the currency, and the embarrassment which it introduced, gave great encouragement to the British government. The adherents of the latter openly declared that they had but to wait a little to see America become its own conqueror. This subject gave Washington the greatest anxiety. Speaking of the difficulty growing out of paper money, he declared it "the only hope, the last resource of the enemy." Said he, in another place, we are laboring under two of the greatest evils, a reduced army and the "want of money, or rather a redundancy of it, by which it is become of no value." "A wagon load of money," he remarked, on still another occasion, "will hardly purchase a wagon load of provisions."\* To increase the confusion, the issues of May twentieth, 1777, and of April eleventh, 1778, were extensively counterfeited by the Tories of New York, so that Congress was constrained, by a resolution bearing date January second, 1779, to call them in to be exchanged. The soldiers complained of the worthless character of the money they received, and some corps declined to accept it. The two regiments of the Connecticut line that mutinied in May, 1779, were impelled by poor pay and scanty food. The depreciation of the currency in which their wages were paid was afterwards made good to them.

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\* Writings, Vol. VI., p. 229.

## CHAPTER VIII.

## MORE PAPER MONEY, AND THE FINAL OVERTHROW OF THE SYSTEM. HOW CONNECTICUT SUPPORTED THE WAR.

IN the beginning of 1780, all seemed to be satisfied that the credit of the currency was irrecoverably gone—that broken promises could not be made as good as gold and silver. At this juncture, when existing facts could no longer be ignored, the Assembly of the State undertook to do justice (on paper) to certain of its creditors, and thus declared its intentions:—"It behooves every government to render justice, as far as possible, to every member belonging thereto, and in a most especial manner to those who have placed a particular confidence in their equity." Therefore it was enacted, (in January, 1780,) "that the notes executed and issued by the Treasurer of this State, by virtue of an act passed in December, 1776, and the bills of credit which have been loaned to this State in consequence of an act passed in May, 1777, and in consequence of another act passed in February, 1778, and also the bills of public credit which have been loaned as aforesaid in consequence of an act passed in May, 1778, shall be paid for, together with the interest, to the respective lenders, in gold or silver, or in bills of credit of this State, according to the full value of the said bills or notes when they were loaned or issued as aforesaid."

By the same act, three taxes were granted, each of twelve shillings on the pound, payable in April, June and November, (1780,) in continental money, or at the option of the tax payer, in gold and silver, or the bills emitted by the present or future assemblies, one in coin or the new bills being reckoned as equal to thirty in continental money.\* The two first of these

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\* These taxes, amounting to thirty-six shillings on the pound, did not prove so burdensome as was to be apprehended, owing to the continued depreciation of the



taxes—those payable in April and June—were intended to meet state expenses and the demands of Congress. The last was to remain in the Treasury till otherwise ordered. “For the relief of the indigent,” abatements were permitted in each town to the extent of one-twentieth part of the taxes. As a further measure to meet the requisitions of Congress, authority was given to borrow one million pounds in “bills of the common currency of the United States, already issued,” on the following conditions:—Every one who shall deposit with the Treasurer for the use of the State any sum in said bills, not less than one hundred and eighty pounds, shall receive therefor one-thirtieth part of the amount in silver or gold within six years from the date of deposit, with six per cent. annual interest, the interest payable in coin, or in state bills having not more than seven years to run, and bearing not less than four per cent. annual interest. The Treasurer’s notes which were to be issued for this loan were called bank notes, and were to be paid “to the possessors.” Owing probably to the continued depreciation of bills, this law was repealed in May following.

Another part of this act authorized the emission of £40,000, “lawful money, in bills of public credit, computing every six shillings to be equal to one Spanish milled dollar,” redeemable March first, 1784, with interest from date, (March first, 1780,) at five per cent. per annum. They were issued on the plan of those emitted with so much success at the breaking out of the French war, in 1755; and it was expected, without considering the difference of circumstances, that they would be received with similar favor. For their payment, a six penny tax, becoming due January first, 1784, was laid, and the Treasurer was to issue his warrant for its collection, &c. And as the bills emitted in virtue of this act were “founded upon the most indubitable principles of public credit, and ought to be regarded

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currency. In April and June, bills were worth, in Philadelphia, sixty for one, in November, eighty for one. At the last rate, a tax of twelve shillings would have amounted to less than two pence, in specie. It should, however, be remembered that the depreciation was somewhat less in Connecticut and New England than in Philadelphia, and some other places.

accordingly," the Assembly ordered that they should be "received in payment of all salaries, fees and rewards for services within this State." It also enacted that if any quartermaster or commissary, using this money, should "knowingly give more for any purchase, hire or service, than the same might have been obtained for in coin," he should forfeit the amount of the sums so expended, and pay a fine of one hundred pounds in the bills of this act. And as there were "villains and traitors" about, "who, under the mask of friendship, and by dark, insidious and detestable conduct, endeavored to defeat every public measure, by offering exorbitant prices," &c., it was further provided that if any person should offer or give "excessive or unnecessary prices for any article or service," either in coin or bills of this act, or should, by his conduct, "afford a reasonable proof" of a design or intention to injure the public credit, he should pay such fine as the court should judge reasonable, and be imprisoned for a term of not more than three years. The act of February, 1778, regulating prices, had been, soon after its passage, and at the instance of Congress, first suspended and then repealed; and the present law was enacted in consequence, apparently, of a desire which Congress had expressed (November nineteenth, 1779) to try once more the restrictive policy. The plan proposed required that paper should pass at one-twentieth part of its nominal value, and Connecticut did not, in this instance, come quite up to the requirement. She was not often delinquent.

At the same session, (January, 1780,) the statute of October, 1776, making continental and state bills a legal tender, was so changed as to make them a tender "according to their current value," [as measured by specie,] at the time of the contract, &c.; but creditors living in other states which should not "make similar laws to promote equal justice" were not entitled to the benefits of the new law. This alteration was made, notwithstanding Congress had just refused to recommend to the states a similar measure.

In February, 1781, the modified tender act of January, 1780, was, in anticipation of any action on the part of the general government, repealed, "the longer continuance of said act being

of no public use or benefit." Thus ended the legal tender iniquity in Connecticut.

One month later, Congress showed signs of repentance. March sixteenth, she proposed to the states to amend their tender laws, and two months afterwards, (May twenty-second, 1781,) advised their unconditional repeal, "experience having evinced the inefficiency of all attempts to support the credit of paper money by compulsory acts." This experience, though frightfully expensive, was supposed, till a recent period, to have been worth all it cost.

In the year last mentioned, at its May session, the Connecticut Assembly repealed so much of the law of January, 1780, as made the bills then authorized receivable for all [public] salaries, fees, rewards, &c.

The legislation of Connecticut, during the trying period of the revolutionary war, and on the exciting questions of the time, was sufficiently reprehensible; but as compared with that of the other states, it was moderate and conservative. Her leading statesmen were, after the standard of that day, shrewd, considerate and wise. Throughout her colonial existence, she was distinguished for the comparative mildness of her laws. In illustration of this fact, it may be stated that her government was the only one from New Hampshire to Georgia which did not make death the penalty of counterfeiting.

Congress was disappointed at the failure of all their schemes to establish the public credit. The supports on which they relied had given way—their most cherished plans had come to naught. It seemed as if the war could no longer be maintained either by borrowing, begging, printing, taxing or impressing; and patriotic resolves were useless. Good intentions on the part of those who governed could not save a rebel population. The country had been nearly destroyed by bad legislation, and the reckless, senseless use of paper money. The army, greatly reduced in numbers, was perishing from privation. The people had lost confidence in their rulers, and a deep gloom settled down upon the land. But something must be done. With small prospect of relief, Congress renewed its efforts to raise money on loan-office certificates, and made a show of a still more vigorous taxation. October sixth, 1779, "deeply



concerned that the sums required were so great," they made a requisition on the states for \$15,000 000, monthly, for nine months, beginning with the first day of February, 1780. (This was in addition to all former requisitions.) Fearing that this measure would not sufficiently reduce prices, they once more advised the states (as already mentioned) to pass limitation-acts, and to enforce "strict laws against engrossing and withholding"!

The fund of continental bills was exhausted. The requisitions payable in continental money had produced little and promised still less. It seemed doubtful whether the army could much longer be kept together with paper money, even though the taxes were collected. In this state of things, when the British troops were overrunning the southern country, and the people were well nigh disheartened, Congress resolved, February twenty-fifth, 1780, to call on the states for "specific supplies"—beef, flour, Indian corn, hay, salt, tobacco, rum, rice—those articles most needed for the use of the army. These things were apportioned among the states, at stated prices, according to the natural advantages of each. New England was to furnish most of the rum; and what is not a little remarkable, about four gallons of this popular beverage were required for each barrel of flour. (The Indian corn appears to have been wanted for forage.) On the fourth day of November, Congress again called for army supplies and money, equal in value to \$6,000,000, in silver. Georgia, now a loyal state, made so by British bayonets, was not embraced in the call. Other requisitions, made during the year, produced little but disappointment, as proved by the fact that the entire disbursements of the Treasury, for 1780, including eighty-three million of continental money, were but \$3,000,000, specie value. The scheme of supplying the army by taxes payable in "specifics" proved to be excessively burdensome and expensive, and was abandoned.

Driven to the wall, but not yet ready to abandon its paper delusions, or to give up the war, Congress hit upon a new expedient which it hoped might replenish the Treasury. As it was pledged to issue no more continental bills, a little ingenu-

ity was necessary. The new scheme was adopted and recommended, March eighteenth, 1780, and required the states to levy a tax of fifteen million dollars, monthly, for thirteen months, (instead of for nine months, as required by a former resolution,) payable in continental bills, or in specie at the rate of one for forty. Connecticut's quota was \$1,700,000 monthly, \$22,100,000, in all, or more than one-ninth part. Of this amount, she appears to have paid into the continental Treasury, first and last, \$9,151,484 $\frac{5}{8}$  in bills, or \$228,787 $\frac{1}{8}$ , specie value.\* This requisition on the states, amounting in the whole to \$195,000,000, was designed to call in all the paper money of Congress then afloat. In lieu of the bills withdrawn, the resolution provided that others should be issued to the extent of one-twentieth part of those retired. The new bills would amount to about ten million dollars, which is Mr. P. Webster's estimate of the currency which the country naturally required. They were to be issued by the individual states, in exchange for the old notes, and in proportion to their several quotas, and guaranteed by the United States. They were to be paid in Spanish milled dollars, were to bear five per cent. (Hildreth incorrectly says six per cent.) annual interest, and to run six years, funds (i. e., taxes) to be provided to sink one-sixth part each year. Of these bills, the states issuing them were to receive, for their own use, six-tenths, and the general government four-tenths.

The new scheme for reforming the currency, restoring the government credit, and controlling prices, was a conspicuous failure. The taxes recommended by Congress were but partially collected; the old tenor nuisance was not abated, and the new tenor bills did not secure the confidence of the public. Of the latter, there were issued, according to Mr. Hildreth, \$4,400,000, this sum taking the place of \$88,000,000, old tenor, paid into the state treasuries and destroyed.† Mr. Hildreth may be correct in this matter, but a statement which I find in

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\* American State Papers, Finance, I., 58. When the Constitution went into operation, all the states had paid in, under the resolution of March 18, 1780, \$119,498,566.

† History of the United States, Vol. III., p. 446, first series.

the American State Papers\* represents that the general government "appropriated" of the new issues, received from all the states, \$1,592,222 $\frac{47}{100}$ , two-thirds of the amount emitted by Massachusetts and Pennsylvania. As the sum to be paid into the United States Treasury was four-tenths of the whole, the issues of bills under the resolution of March, 1780, must have been \$3,980,556; while the old bills called in to make room for them must have equaled \$79,611,126. The new currency rapidly declined in value. The agents of Congress paid it out at different rates, but by average at three for one of specie, no account being taken of the accrued interest.† At length, it became worth, in the general market, no more than five or six for one, and Congress advised that the states should stop the supply. Connecticut (and I might add Delaware, North and South Carolina and Georgia) emitted none of the new bills, though she took up enough of the old paper to entitle her to a large issue. Mr. Hildreth improperly classes her with those states that wholly failed to meet the requisitions of Congress, and leaves us to infer that she emitted nothing because this failure precluded her from the right of doing otherwise.‡ The true reason why the state did not avail herself of her right will be mentioned in another place.

The Assembly of Connecticut, in April, (1780,) approved the resolution of Congress of March eighteenth. They thought their quota of continental bills disproportionally large, but engaged to sink the amount assigned to the State as fast as circumstances would permit. At the same time, they resolved to issue the new bills recommended by Congress, and as a fund for their redemption, laid a tax of seven pence on the pound, "lawful money," for each of six successive years, payable December thirty-first, 1781, and afterward, in bills issued in

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\* Finance, I., 53.

† See Journal of Congress, April 4th, 1781.

‡ From a document in the State Library, dated Pay-table office, May 17, 1787, and signed Oliver Wolcott, Jr., it appears that the continental bills received from J. Law, Esq., and destroyed by the commissioner of accounts of Connecticut from January, 1780, to August, 1783, amounted to \$8,102,424 $\frac{5}{6}$ , nominal money, in sundry emissions from May 10, 1775, to January 14, 1779.



accordance with this act, or in like bills emitted by other states. A tax of twelve shillings on the pound was also granted, payable "in the common currency of the United States," September first then next, the bills when collected to be destroyed. At the next session, in May, the new bills which were to be provided by Congress were "not prepared." There was a great pressure on the Treasury, and a law was enacted that £100,000, in lawful money, should be emitted, on the faith of the State, bearing five per cent. annual interest, and payable March first, 1785, in specie. These bills, bearing date July first, 1780, were to be in lieu of those recommended by Congress. The act was not in accordance with the plan. At the same time, two taxes were laid, one of four pence on the pound, payable on the first day of the ensuing August, and one of six pence, payable the succeeding first day of January. Specie only, or bills emitted since February, 1780, or yet to be emitted, were to be received for these taxes. The notes thus collected were not to be reissued except by order of the Assembly.\* At the same session, another issue of £50,000 was ordered, the bills to be dated June 1, 1780, and payable March first, 1784. They were of the same tenor as those of the last emission, and were not to be reissued. To redeem them, a tax of seven pence was laid, to be paid in the new bills or hard money, on or before January first, 1784.

The three emissions of January and May, 1780, amounting to £190,000, bearing five per cent. interest, were the last of the paper money of Connecticut.

In October, 1780, an important law was passed by the Assembly. It was entitled "An Act to ascertain the current value of continental bills," &c., and enacted "that all contracts made on or before the first day of September, 1777, for lawful money, or bills of credit of this State, or continental bills of credit, shall be deemed equal to the same nominal sum in gold or silver; that all contracts made between the first day of September, 1777, and the eighteenth day of March, 1780, un-

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\* In October, 1780, it was ordered that £33,000 and no more of the bills of the July emission should be reissued.

derstood or expressed to be for the common currency of the United States or of this State, shall be rated in Spanish milled dollars, or other coins equivalent, agreeable to the following table, which shows the value of one hundred Spanish milled dollars, in continental bills of credit, at the several times therein expressed," &c. The table referred to was in accordance with a scale of depreciation adopted by Congress, (see the abstract near the end of this chapter,) in conformity with which loan office and commissary certificates were to be liquidated.\* For political reasons, perhaps, it did not represent truly the facts. The depreciation was usually much greater than is stated. For instance, on the first day of September, 1777, when the table commences, paper is put down at par, when, in fact, it was worth in Philadelphia but thirty-three and a third per cent. of its face. On the eighteenth of March, 1780, paper was valued at the rate of forty for one of specie, when it could not be exchanged at a better rate than sixty for one.† The State was a considerable loser and its creditors gainers, by this over-valuation of continental money. The scale as adopted by the State and made the "rule in all courts of law," the calculation being made for the first and fifteenth of each month, is printed in the several editions of the "Statutes" down to 1808. By a later act passed in October, 1782, "all actions

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\* "*Resolved*, That the principal of all loans that have been made to these United States shall finally be discharged, by paying the full current value of the bills when loaned, which payments shall be made in Spanish milled dollars, or the current exchange thereof, in other money, at the time of payment." Journal of Congress, June 8th, 1780.

The assumed value of the bills when loaned may be ascertained by reference to the table above referred to. The latter will be found at length in the fifth volume of American State Papers, p. 766, the calculation being made for every day of the period which it covers. The rule thus laid down was observed by this State. Other states adopted scales of their own.

† This rate was not uniform throughout the country, but varied with the expenditures of the government, the activity of business, &c. As a general rule, the depreciation was first perceived, and was also greatest, in the centers of commerce and population. In New England, it was usually less than in Philadelphia. The difference in "exchange" led, at one time, to extensive speculation. Men called sharpers, in Philadelphia, exchanged their goods for bills, and with the latter, went to Boston, and swept the market of similar goods, pocketing a large profit.

brought before any of the Superior or County courts for the recovery of any debt due by bond, note, or book account, contracted before or on the seventh day of January, 1782," for the discharge of which continental bills had been tendered and refused, were to be decided "according to the rules of equity."

In November, 1780, the holders of the ten pound notes of 1777, [issued in exchange for the bills of credit of the old emission,] or of any notes given for Connecticut money, or for moneys loaned to the State, were invited to exchange them, principal and interest, for new notes, the latter being reduced in accordance with the scale of depreciation adopted in October previous. The new promises, dated February first, 1781, were redeemable, in gold and silver, one year after the war, and bore six per cent. interest, payable annually.

When once satisfied that the war could not be carried on by paper money of any kind, and that heavier taxes must be laid, Connecticut bent her neck to the yoke, and acted with promptness and efficiency. Indeed, she had never been backward in the imposition of taxes. Washington singled her out, in a letter to Edmund Pendleton, in November, 1779, for her policy in this regard, and placed her in opposition to "the other states." Her last issues of notes for currency were not in accordance with the recommendation of Congress. But these were designed for a temporary purpose only, and measures were taken to call them in speedily. In October, 1780, a tax was granted of five pence on the pound, payable October first, 1781, in silver or gold or the bills of the July emission, (£33,000 of which had been reissued,) and another of twelve pence on the pound, payable December thirty-first, 1780. The last was for the purpose of sinking "the residue of bills emitted since January first last," and for bounties to soldiers. Payment was to be made in specie, or in state money emitted since the preceding January, or in new continental bills issued under the authority of the State, or in old continental paper at the rate of forty for one. To meet, in part, the requisition of Congress, and to clear the way for the issue of the new continental money, a tax was



also laid of four dollars on a pound, to be paid at the same date in old continental currency, or in new state bills at the rate of one for forty, or in gold and silver at the same rate. To show how the Connecticut people were taxed at this period, I will refer to an advertisement which I find in the "Hartford Courant" for January fifteenth, 1781. Israel Williams, collector, of Hartland, gives notice that he has received from the Treasurer of the State ten warrants to collect rates, as follows:—twelve shillings on the pound, due July first, [1780,] payable "in old continental [money]"; four pence on the pound, due August first in [new] state money; twelve shillings on the pound, due September first, in old continental; two pence on the pound, due October first, in state money; twelve shillings on the pound, due November first, in old continental; twenty-four shillings on the pound, due December twenty-ninth, in old continental; one shilling on the pound, due December twenty-ninth, in state money; six pence on the pound, due January first, [1781,] in state money; one shilling on the pound, due February first, in state money; two and a half pence on the pound, due March first, in silver or gold. All these rates were on the list of 1779. The advertiser also states that he has three other warrants for taxes on the list of 1780:—one of twenty-four shillings on the pound, [due March first, 1781,] in old continental; one of one penny, [due March first, 1781,] in silver; one of two pence, [due May first, 1781,] in silver. Here are in all thirteen different taxes, amounting, in the aggregate, to eighty-seven shillings five pence half-penny, on the pound, all becoming due in the space of ten months. Of this amount, eighty-four shillings on the pound were payable in old continental bills, worth, at the time of the collector's notice, one hundred for one; three shillings on the pound in [new] state money, and five and a half pence on the pound, payable in specie. And the taxes were not much lighter at other periods of the war. In 1777, when bills were worth about one-third their face, they amounted to twenty-eight pence on the pound; in 1778, to fifty-five pence on the pound, bills being equal to one-fifth their nominal value; in 1779, to thirty-one

shillings,\* equal, say, to fifteen pence on the pound, in specie, or six per cent. on the list of polls and estates.

But it should be remembered that the lists, at that period, did not represent truly the property, real and personal, of the State. Dwelling houses, for instance, until May, 1780, did not go into the list; but house lots of three acres were rated at twenty shillings per acre, one-third higher than the other best lands. Till January, 1779, the polls of all male persons between sixteen and seventy years of age, were set in the list at eighteen pounds; but at that time the law was changed, and those between sixteen and twenty-one years were put down at nine pounds. Even after the change, about two-fifths of the amount of the taxable lists were derived from polls, representing no property. By the revised laws of 1784, which, in regard to the principles and most of the details of taxation, were not different from those which, for long periods, had been and continued to be in force, dwelling houses went into the list "at fifteen shillings for each fire-place therein," proper deductions being made if the buildings were old and decayed. Horned cattle and "horse-kind" were set down at from one to four pounds each; the best meadow lands, (which were in Hartford County,) at fifteen shillings per acre; meadow lands, salt and fresh, in the other counties, (Middlesex and Tolland were not incorporated,) seven and six pence; plowed lands, in the years of bearing crops, ten shillings per acre; cleared pasture lands, eight shillings; bush pasture, two shillings; uninclosed lands, from two shillings to six pence per acre; coaches, twenty-five pounds each; phaetons, fifteen pounds; chaises, five pounds; gold watches, five pounds; money on interest, at six per cent. of its amount; plate, at six per cent. of its value. These are specimens. Lawyers were assessed at fifty pounds and upwards; physicians and surgeons, at ten pounds and upwards; tavern-keepers, at fifteen pounds and upwards; persons following "any mechanical art or mystery," five pounds and upwards; the best corn-mills, eighty

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\* See MSS. Finance and Currency, Vol. V., for a report of a committee giving a list of the taxes during the war.

pounds, &c., &c. On the gross sum of all these items, taxes were levied, one penny on a pound raising, in 1783, after abatements, about six thousand two hundred and fifty pounds. What proportion the lists made up in the manner described, bore to the entire property of the State, real and personal, it is difficult to say. The first may have been to the last as one to twenty-five.

The Assembly resorted to other methods to sink their quota of the old continental money. They authorized the Treasurer to exchange, to the extent of £50,000, old for new continental bills, the latter to be issued by this State, in pursuance of the Act of Congress of March eighteenth, the exchange to take place at the established rate of forty for one. And as a large part of the State's quota of old bills was still outstanding, a resolution was passed, November, 1780, that, for the speedy calling in of three million, a public lottery be authorized, the same to be drawn on or before the twentieth of May [then] next. The tickets were to be purchased with old bills and to be drawn out in new bills. The scheme was advertised several times in the Hartford Courant; but neither this nor the other plan which proposed an exchange of the old for the new money seems to have succeeded. I judge so from the fact that none of the new currency was ever emitted by this State.\* It was not emitted, because the new bills, as the record says, (May, 1782,) "could not be issued on a par with gold and silver." The truth is, the proposed new tenor money was not regarded with favor. The people, I suppose, could see no advantage in exchanging promises, giving forty for one, with no additional security.

To meet its most pressing engagements, the State also proposed to raise money by loan. In November, 1780, the Governor was authorized to negotiate a loan of £200,000, lawful money, in Europe or America, to run from seven to twenty years, with annual interest at not over six per cent.—"funds to be established." \$30,000 were also to be borrowed at six

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\* I find that the act for a lottery was repealed at the February session, 1781, the money paid for tickets to be refunded.



per cent. interest, the latter payable in gold or silver, redeemable one year after the war, the lender to receive the annual interest one year in advance.

According to the report of the Secretary of the Treasury, May eleventh, 1790, showing the estimated specie value of the moneys paid by the several states to the United States, from the beginning of the war to the above period,\* Connecticut was credited with \$1,607,259, as follows, omitting fractions:—

On account of specie requisitions, [leaving unpaid \$381,869,]	-	\$210,420
Paid in indents, or certificates for interest on the public debt, [leaving \$698,091 in indents unpaid,]	- - - - -	111,791
On account of the requisition of March eighteenth, 1780, in continental bills at forty for one,	- - - - -	228,787
On account of taxes collected in old emissions on the several requisitions, specie value,	- - - - -	375,996
Continental money credited on the treasury books from the beginning of the war to the present time, \$251,720. [This sum is omitted in the footing. See next item.]		
Value in specie of the continental money credited,	- - -	172,797
Credits on the books of the quartermaster, commissary, marine, clothing, and hospital departments, specie value,	- - -	507,468
		<hr/>
		\$1,607,259

This then is the amount paid by Connecticut directly to the general government for the support of the war. In the same

\* The following are the total amounts debited and credited to each State. See Am. State Papers, I., 54, 55.

	Dr.	Cr.
New Hampshire,.....	\$ 440,974	\$ 466,555
Massachusetts,.....	1,245,737	3,167,020
Rhode Island,.....	1,028,511	310,395
Connecticut, .....	1,016,273	1,607,259
New York,.....	822,803	1,545,889
New Jersey,.....	366,730	1,607,259
Pennsylvania,.....	2,087,276	2,629,410
Delaware,.....	63,817	208,879
Maryland, .....	609,617	945,537
Virginia,.....	483,282	1,965,011
North Carolina,.....	795,431	219,839
South Carolina,.....	1,024,743	499,325
Georgia,.....	687,579	122,744

account there are charges against the State for continental money advanced, amounting to \$1,716,517, equal in specie to \$1,016,273. If this sum is deducted from the other, a balance will appear in favor of the State of \$590,986.

Soon after the act of Congress of March eighteenth, 1780, old continental bills, then worth sixty for one, began to depreciate more rapidly than ever. In January, 1781, they were valued one hundred for one, and about the first of May, two hundred for one. They still, however, continued to discharge the functions of a currency. Their circulation was brisk. Anything, even hard money, might be bought with them, if only a sufficient sum were offered. At last, "May thirty-first, 1781," says Pelatiah Webster, (page five hundred and two,) "continental money ceased to pass as currency, but was afterward bought and sold as an article of speculation, at very uncertain and desultory prices, from five hundred to one thousand for one." In the end, the "two hundred million lost all their value, and were laid aside. The annihilation was so complete that barber-shops were papered, in jest, with the bills; and the sailors, on returning from their cruise, being paid off in bundles of this worthless money, had suits of clothes made of it, and with characteristic light-heartedness turned their loss into a frolic by parading through the streets in decayed finery, which, in its better days, had passed for thousands of dollars."\* The outstanding portion of this money, (which, at the close of the war, amounted, according to Hildreth, to about \$70,000,000,) was finally funded, under the Constitution, one hundred dollars in paper being exchanged for one dollar in United States stock.†

I here subjoin a table showing the depreciation of old continental bills on the first of each month, made out in accordance with the rule of Congress.‡ The figures in the last column showing the depreciation in Philadelphia, (day of the month not indicated,) is taken from Mr. Webster's volume of Essays:

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\* Breck's Sketch, p. 15.

† See "Act making provision for the debt of the United States," approved Aug. 4, 1790.

‡ See ante, p. 128, note, and Am. State Papers, Finance, V., 766.

## SCALES OF DEPRECIATION OF CONTINENTAL MONEY.

Year and Month.	Value of 100 continental dollars in specie,—scale of Congress.			Number of continental dollars given for one dollar in specie, according to the Merchants Books of Philadelphia.	Year and month.	Value of 100 continental dollars in specie,—scale of Congress.			Number of continental dollars given for one dollar in specie, according to the Merchants Books of Philadelphia.
	Dolls.	90ths.	Sths.			Dolls.	90ths.	Sths.	
1777.					April,	9 05 0,			12½, 14, 16, 22.
January,				1½.	May,	8 20 5,			22, 24.
February,				1½.	June,	7 40 6,			22, 20, 18.
March,				2.	July,	6 69 4,			18, 19, 20.
April,				2.	August,	6 12 9,			20.
May,				2½.	September,	5 50 0,			20, 28.
June,				2½.	October,	4 83 2,			30.
July,				3.	November,	4 31 4,			32, 45.
August,				3.	December,	3 77 0,			45, 38.
September,	100 00 0,			3.	1780.				
October,	91 12 6,			3.	January,	3 36 3,			40, 45.
November,	82 73 0,			3.	February,	3 00 5,			45, 55.
December,	75 42 6,			4.	March,	2 60 7,			60, 65.
1778.					March 18,	2 45 0,			
January,	68 52 0,			4.	April,	2 45 0,			60.
February,	62 27 7,			5.	May,	2 45 0,			60.
March,	57 12 6,			5.	June,	2 45 0,			60.
April,	49 64 2,			6.	July,	2 45 0,			60, 65.
May,	43 40 0,			5.	August,	2 45 0,			65, 75.
June,	37 71 5,			4.	September,	2 45 0,			75.
July,	33 02 5,			4.	October,	2 45 0,			75, 80.
August,	28 66 1,			5.	November,	2 45 0,			80, 100.
September,	25 00 0,			5.	December,	2 45 0,			100.
October,	21 43 0,			5.	1781.				
November,	18 32 1,			6.	January,	2 45 0,			100.
December,	15 69 3,			6.	February,	2 45 0,			100, 120.
1779.					March,	2 45 0,			120, 135.
January,	13 43 2,			7, 8, 9.	April,	2 45 0,			135, 200.
February,	11 47 0,			10.	May,	2 45 0,			200, 500.
March,	10 00 0,			10, 11.					

The new tenor Connecticut money, (the issues of 1780,) owing to the persevering efforts made to call it in, fared better. It did not, however, maintain the credit to which its projectors thought it entitled. Though declared by state authority to be "founded upon the most indubitable principles," it was worth but ten shillings on the pound in December, 1780; had become "cheap" in July, 1781, when nearly £120,000 were in circulation;\*" and was received for taxes, in January,

\* See Connecticut Courant for July 17, 1781.



1783, at the rate of two for one. After the war had closed, the bills were bought up on speculation at the same figure. They were then supposed to amount to about £49,000, exclusive of interest. In October, 1788, some £28,000, and in May, 1790, some £22,000 were still in the hands of the people. The accounts of the Treasurer, Mr. Lawrence, had been so loosely kept that it was found impossible to state the precise amount. In some cases, where parcels of bills were burned, the principal and interest included in the amounts were not given separately. John Lawrence, who was Treasurer from 1769 to 1788, nineteen years, became infirm from age and disease before he left office. He was severely censured by the Legislature, in January, 1789, but I do not understand that there was any evidence of a want of integrity.

There were reasons enough why the state bills of 1780 declined in value. They bore too low a rate of interest, and, above all, there was no confidence in their being paid, either principal or interest, at maturity.\* At the same time, their credit was respectable, as compared with that obtained by the promises of other states, and of the continental Congress. Though designed for circulation, and of convenient denominations, they did not, in strictness, so far as I can ascertain, form a part of the currency. At any rate, they were not the standard of value. They were distrusted at the outset, and the accruing interest was a hindrance. Throughout the period which followed their emission, accounts appear to have been kept in specie. The items in the inventories of deceased persons, including bills of credit, were valued in hard money. The disbursements on account of the continental army, in 1781, and afterward were made, mostly or wholly, in solid coin. Specie was in fact abundant. It became so in consequence of the expenditures of our French allies, and of the British government in New York, &c. It had, in truth, become so cheap, so depreciated, in 1783, that bills of exchange on Europe were sold at a discount of from twenty to forty per cent.† But though the new bills

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\* Gov. Weare, of New Hampshire, wrote in August, 1781, that "continental bills of the new emission" were refused in payment of goods, in Massachusetts and the neighboring colonies. See "Letters to Washington," by Sparks.

† P. Webster, p. 267, note.

were nowhere the standard of value, they doubtless performed some of the functions of money. A demand was created for them, as well as for the other obligations of the State, by the persistent endeavors made to call them in by taxation. Without question, they were often accepted, at their depreciated market value, in the purchase of commodities and the discharge of debts, as were, doubtless, the other evidences of state indebtedness, as well as the loan-office certificates of the general government. In this way they saved currency. At no time, after the war, were they alone sufficient in amount to answer the ends of a circulating medium. A successful attempt to use them as the exclusive currency of the State, would have quickly brought them to a level with specie. In disposing of them, no account appears to have been taken of the accrued interest, which was not paid till their final redemption. As I understand it, they were never a legal tender in private dealings, either at their nominal or market value. The same session of the Assembly which authorized their emission repealed the old tender law, and the new law which was enacted applied only to "bills of credit heretofore emitted."

Nearly all the Connecticut bills of 1780 were discharged by taxes, payable in kind, the greatest proportion of them, interest included, before they became due.\* They were not redeemed "in Spanish milled dollars or other coins equivalent," according to promise. It was the expectation, doubtless, that the pledge would not be made good; and this was a sufficient cause for their great decline in value. The State took advantage of its fallen credit to call them in, while the tax-payers were benefited to the full extent of the depreciation. Had they been a legal tender, and formed the sole currency of the people, their sudden withdrawal would have caused their equally sudden appreciation. The last taxes levied would have been paid in a medium equivalent to coin, while the last bill-holders would have received the value promised. A government which

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\* Taxes amounting to 17 pence on the pound were laid in May and October, 1780, to sink these bills, all payable between August, 1780, and October, 1781. These should have raised £110,000. See "Finance and Currency," Vol. V., Doc. 193.

damages its credit by neglecting the measures necessary to sustain it—which calls in its depreciated notes by taxes instead of paying them in the manner stipulated—profits by its own delinquency, and in effect repudiates its obligations. It might as well buy up its paper in the open market at ten shillings in the pound. The small balance of the bills which remained, at the date of the federal Constitution, went in as a claim against the general government, at par value, with interest.

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## CHAPTER IX.

### THE CONFEDERATION OF THE STATES GIVES NO FINANCIAL STRENGTH. BANK OF NORTH AMERICA.

At the beginning of the war, the attention of many patriotic individuals was turned to the advantages which would flow from a closer union—a more centralized government. Among the benefits proposed were a better credit, and the improved financial condition of the country. The Congress which assembled at the opening of the contest had no defined powers. The authority which it exercised was assumed, not granted; implied, it may be, but not expressed. It grew out of its relation to the states, and the condition and necessities of the country. The delegates from several of the colonies received no instructions whatever. Connecticut was as usual wary. Her Assembly appointed five delegates, “any three of whom are authorized and empowered to attend said Congress, in behalf of this Colony, to join, consult, and advise with the delegates of other colonies in British America, on proper measures for advancing the best good of the colonies.” Afterward, they were “empowered to represent this Colony, to consult, advise, and resolve upon measures necessary to be taken and



pursued for the defense, security and preservation of the rights and liberties of the United Colonies, and for their common safety ; and of such their proceedings and resolves they do transmit authentic copies, from time to time, to the General Assembly.”\* The Colony or State, however, when once warmed up, was behind no other in efficient acts and measures of her own.

The necessity of conferring definite and ampler powers on Congress, and of forming “a more perfect union,” soon became apparent. On the twelfth day of June, 1776, two days after the resolution declaring independence was passed in committee of the whole, Congress appointed a “committee to prepare and digest the form of a confederation to be entered into between these colonies,” consisting of one from each colony, Roger Sherman being the member from Connecticut. On the twentieth day of July a report was made and a plan presented. This was debated, and an amended draft reported August twentieth. Owing to a disagreement about details, and the pressure of business, the discussion was not resumed till April, 1777. It was then continued, with one long interruption, till November, 1777, when the thirteen “Articles of Confederation and perpetual Union” were adopted. This result was not reached till serious differences had been overcome. Forbearance, concession and compromise, at length, won the victory. It was not to go into operation till approved by all the states. A circular letter was drawn up, in which it was recommended “to the immediate and dispassionate attention of the several legislatures,” “as the best which could be adapted to the circumstances of all, and as that alone which affords any tolerable prospect of general ratification.” The adoption of the plan, it was affirmed, would “confound our foreign enemies, defeat the flagitious practices of the disaffected, strengthen and confirm our friends, support the public credit, restore the value of our money, enable us to maintain our fleets and armies, and add weight and respect to our councils at home and to our treaties abroad.”

Connecticut was the first state, after South Carolina, to au-

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\* See Journal of Congress, May 11th, 1775, and January 16th, 1776, &c.

thorize her delegates to sign the Articles. She gave her assent February twelfth, 1778; \* but instructed her delegates to move certain amendments. The eighth article required that "all charges of war and all other expenses" should "be defrayed out of a common treasury, which shall be supplied by the several states, in proportion to the value of all land within each state granted to, or surveyed for, any person, as such land and the buildings and improvements thereon shall be estimated according to such mode as the United States, in Congress assembled, shall, from time to time, appoint." Connecticut wanted the expenses, &c. apportioned according to "the number of white inhabitants in each state." She desired, also, to add a proviso to the fifth paragraph of the ninth article, thus—"provided no land army shall be kept up in time of peace, nor any officers or pensioners kept in pay, not in actual service," and not disabled in the military service of the government. The amendments were rejected by Congress, eleven votes to one. Numerous other amendments, proposed by several of the states, shared the same fate. At length, the Articles were ratified by all the states except New Jersey, Delaware and Maryland. These required, among other things, not without a show of reason, that those states claiming western lands should cede them for the benefit of all, as their possession, if finally secured, would be due to the blood and treasure of all. Ere long, however, New Jersey, rather than defeat the union, and in a patriotic spirit, gave her assent. This was November twentieth, 1778.† On the first day of February following, Delaware, trusting for future amendments to "the candor and justice of the several states," yielded her objections. Soon afterward, May twentieth, 1779, the delegates from Virginia laid before Congress certain resolutions of that State (which was largely interested in the western lands) authorizing and requiring its delegates to ratify the Articles of Confederation to the exclusion, if necessary, of those states which refused to sign the same. The next day the delegates from Connecticut presented a resolution of simi-

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\* See Journal of Congress, June 27th, 1778.

† See Journal of Congress, Nov. 25th, 1778.

lar import passed by the General Assembly of their State, and dated April seventh, 1779; but Maryland, by the same resolution, was not to be prevented "from acceding to the Confederation at any time." The acceding states would not consent to a partial union; while some of them having no western lands, hoped to gain advantage from delay.

Maryland persisted, and the states were "at a dead lock." The country was in imminent peril. The enemy rejoiced, while the friends of liberty almost despaired. At this stage, New York revived the hopes of patriots. On the nineteenth day of February, 1780, she authorized her delegates in Congress "to limit and restrict the western parts thereof, by such line or lines, and in such manner and form, as they shall judge expedient," &c.\* At the same time, Congress, while urging Maryland to subscribe the Articles, used its utmost endeavors to induce other states to imitate the example of New York, reminding them "how indispensably necessary it is to establish the union on a fixed and permanent basis."† Soon afterward, Connecticut came up to the work, and, for the good of the whole, surrendered her claim to the western territory, reserving, however, a large tract, one hundred and twenty miles from east to west, adjoining Pennsylvania, and afterwards known as the "Connecticut Reserve." On the second day of January, 1781, Virginia, her movements quickened (according to Hildreth) by the terror of Arnold's invasion, authorized her delegates to cede to the United States that magnificent tract of territory lying northwest of the Ohio.‡ So much being accomplished, Maryland reluctantly yielded her objections to the Confederacy; "and from an earnest desire to conciliate the affection of the sister states," and without giving up "any right or interest she hath, with the other United States, to the back country," empowered her delegates to subscribe the Articles.§ This was February second, 1781, and the subscription was made March

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\* See Journal of Congress, March 1, 1781.

† Journal of Congress, September 6, 1780.

‡ See Journal of Congress, March 1, 1784, when the grant was perfected.

§ See Journal of Congress, Feb. 12, 1781.



first, 1781. Thus the Union was perfected, and a load of anxiety lifted from the breasts of a nearly despairing people. This result was secured by the most important and magnanimous sacrifices. The states which had signed with the expectation of cessions of land by their associates in the Confederacy were not disappointed.

The general confidence placed in the Articles of Confederation and Perpetual Union proved to be a delusion and a snare. They did not secure unity, or power, or credit, or respectability. The government which they established was but a compact or league between sovereign states. There was no adequate central authority. Congress could frame laws for the people, but was not able to execute them; could "recommend" or "resolve," but was not competent to enact; could make requisitions for money, but had not the legal capacity to collect a farthing. Between it and the people the states were an effectual barrier. The latter alone had the requisite machinery for levying and collecting internal taxes, and duties on foreign commodities; and also for "prohibiting the exportation or importation of any species of goods," &c. They alone had sovereign authority, and were determined to keep it. So long as continental bills retained their power, Congress occupied a position of influence and respectability. It could "order" and "resolve" to some purpose; but when this resource failed, it was stricken to the dust. Destitute of money, its right arm was broken, its authority contemned, its dignity gone. The officers of the army bullied it; armed soldiers insulted it, and all distrusted it. For eight long years the Confederacy struggled for an impotent and humiliated life, and then died by the hands of its friends.

The eighth article of the Confederacy—that which apportioned the expenses of the government among the states—may require to be noticed, more particularly, in this connection. It will be remembered that at the beginning of the contest Congress proceeded on a different basis. The three million tax to be levied to redeem the two first issues of bills of credit was distributed according to assumed population of all kinds. In the subsequent requisitions for money, &c.,

the states were called on to pay, not conformably to any expressed rule, but in proportion to their supposed ability (roughly estimated) at the time, with the proviso "that the sums assessed shall not be considered as the proportions of the states, but being paid shall be placed to their credit, respectively, bearing an interest of six per centum per annum, from the time of payment until the quotas shall be finally ascertained and adjusted by the Congress, agreeably to the confederation hereafter to be adopted and ratified."\* When the Articles of Confederation were under consideration, the committee of the whole reported in favor of taxation according to population; but this provison, taxing slaves, was opposed by the slaveholding states. An amendment was introduced and carried making the value of lands with improvements the rule in distributing the expenses of government, the four New England states being against, and the four southernmost states in favor of the measure. After the Articles were ratified and alterations refused, Congress, embarrassed in the application of the eighth article, as a rule of taxation, agreed to a change, and recommended (April first, 1783) that the common Treasury should be "supplied by the several states in proportion to the whole number of white and other free citizens and inhabitants of every age, sex and condition, including those bound to service for a term of years, and three-fifths of all other persons not comprehended in the foregoing description, except Indians not paying taxes, in each state." This proposed change, the result of a compromise between the free and slave states, and agreed to in Congress by nine, including all those south of New York, (except Georgia, which was not represented,) was referred to the several states for ratification. The "Articles" required that it should be approved by all. The Assembly of Connecticut, at its next May session, and Pennsylvania, at a later period, agreed to the amendment;† but I do not find that it was finally adopted.‡

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\* Journal of Congress, Nov. 22, 1777.

† See Journal of Congress, Aug. 28, and Sep 1, 1783.

‡ Curtis's History of the Constitution of the U. S., I., 213, note; II. 160. Jour. Cong., Sep. 24, 1786.

At the time it was proposed, however, an estimate was made (in the cases of New Hampshire, Rhode Island, Connecticut and Maryland, from "authorized documents") of the taxable population of the several states, omitting three-fifths of the slaves, in accordance with the rule of the contemplated amendment. The proposed excise duty was apportioned, provisionally, in conformity with the same rule, as were all the requisitions afterwards made for supplying the confederated Treasury.\* Connecticut's quotas were thus considerably reduced. Under the new regulation they were less than one-eleventh of the whole.

The provision which failed to become a law of the Confederation afterwards found a place in the Constitution of 1789, as the rule of *direct* taxation and representation. The expenses of the war and the debts of the confederated government were finally paid in consistency with this constitutional provision; but indirect taxation was the chief source of the revenues thus appropriated.

In February 1781, Congress determined to abandon the system of boards and committees, and to put each of the executive departments of the government under a single head.

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\* In the "Madison Papers," vol. I, p. 431, will be found the "grand committee's" estimate of population above referred to. It is as follows:

New Hampshire, .....	82,200
Massachusetts, .....	350,000
Rhode Island, .....	50,400
Connecticut, .....	206,000
New York, .....	200,000
New Jersey, .....	130,000
Pennsylvania, .....	320,000
Delaware, .....	35,000
Maryland, .....	220,700
Virginia, .....	400,000
North Carolina, .....	170,000
South Carolina, .....	150,000
Georgia, .....	25,000

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2,339,300

In the report, South Carolina is set down at 170,000, but the figures were reduced, as above.



Robert Morris, a merchant of Philadelphia, was appointed, by an unanimous vote, Superintendent of Finance. He accepted the office on condition, it is said, that all transactions should be in specie. To facilitate the management of his department, he proposed a national bank. A plan was submitted to Congress which was approved, May twenty-sixth, Massachusetts alone voting against it. Its capital of \$400,000, (afterward increased to \$1,000,000,) divided into shares of four hundred dollars each, was, after considerable delay, subscribed. The general government, however, was obliged to take \$254,000 of the amount. The institution was incorporated by Congress, December thirty-first, 1781, by the name of the Bank of North America. It commenced business on the following seventh of January. Thomas Willing was its first president. In the ordinance creating it there was no limit to its circulation, and none to its capital except that it could own in property only "to the amount of 10,000,000 of Spanish silver milled dollars." Its bills, receivable for all public dues, and payable on demand in coin, were the first of the kind issued in America. In the commencement, they were, very naturally, received with distrust; but ere long they obtained a general currency. Connecticut, without delay, gave them the benefit of its laws against counterfeiting paper money, and made them receivable for taxes payable in specie.\* "Morris' Bank," so called, was afterwards (April, 1783) chartered by the Assembly of Pennsylvania, grave doubts being entertained whether Congress had the power which it pretended to exercise. Established at a time of great financial embarrassment, it was obliged to resort to sundry artifices to magnify its apparent resources.† It proved at length a successful enterprise, and made large dividends. Considering its

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\* In May, 1788, the Assembly enacted that "none of the notes or paper anticipations, [post notes?] called Morris' notes, shall be received into the Treasury of this State, after the first day of June next, in payment of any tax or arrearage of tax now due," for discharging any requisition of Congress, "but the same shall be paid in money only, and applied to the use of the United States, according to the requisition of Congress and the resolves of the General Assembly," &c.

† Gouge's History of Banking, p. 13.

limited means, the benefits which it conferred on the government and country have, I conceive, been greatly exaggerated. It still exists, as a state institution, with a capital of \$1,000,000.

In 1784, the Massachusetts Bank, at Boston, and the Bank of New York, in New York city, were chartered by state authority. No others were established till after the adoption of the federal Constitution.

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## CHAPTER X.

### WAS INDEPENDENCE WON BY PAPER MONEY? ERRORS EXPOSED.

THE issues of paper money, state and continental, during the war of the Revolution, were the result of a short-sighted policy. They produced all the evils, in the most aggravated form, which are known to result from such a policy. They discouraged sober industry, frugality and honest dealing, and encouraged improvidence, extravagance, speculation and speculation. There were "shoddy patriots" in those days who, while they shouted for liberty, cheated the soldiers and plundered the Treasury. Vice and immorality ran riot. The depreciation of the currency wrought the greatest injustice, while the tender laws legalized robbery on the most extended scale. Men well able to pay discharged their debts for twelve pence or six pence in the pound. General Washington himself was a sufferer from this cause. August seventeenth, 1779, he wrote to his business agent at Mount Vernon, Lund Washington, that he was "resolved to receive no more old debts (those which were contracted and ought to have been paid before the war) at the present nominal value of the money, unless compelled to do it, or it is the practice of others to do it." He

did not think it his duty to ruin himself for the benefit of others, unless the common good required it; and could not see how a man of honor and honesty could take advantage of the times, and propose to discharge an old obligation by paying one shilling or sixpence in the pound.\* Paper money, says honest Pelatiah Webster, "polluted the equity of our laws, turned them into engines of oppression and wrong, corrupted the justice of our public administration, destroyed the fortunes of thousands who had confidence in it, enervated the trade, husbandry and manufactures of our country, and went far to destroy the morality of our people." At last "it expired without one groan or struggle," unlamented, "aged six years." Says another, an apologist for paper money: It was "the bane of society. All classes were infected. It produced a rage for speculation. The mechanic, the farmer, the lawyer, the physician, the member of Congress, and even a few of the clergy, in some places, were contaminated. The morals of the people were corrupted beyond anything that could have been believed, prior to the event. All ties of honor, blood, gratitude, humanity and justice were dissolved. Old debts were paid when the paper money was worth no more than seventy for one. Brothers defrauded brothers, children parents, and parents children. Widows, orphans, and others were paid for money lent in specie with depreciated paper,"† &c. In the end, all those who had witnessed its effects were, for the time, satisfied with the experiment. Washington hoped he should never hear of it again, and in 1786, branded a scheme for introducing it, once more, into Virginia as "a nefarious plan of speculation."‡ Similar plans in other states he characterized as "very foolish and wicked."§

We have been accustomed to think that whatever our fathers did in the Revolution was wise and good. Paper money, it is said, was a necessity. By its agency, armies were supported, battles fought, and our independence achieved. "Without it we should have been subdued." Thus orators have declaimed. Thus historians have written, and copying from one another

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\* Washington's Writings, VI. 321.

† Breck's Sketch, p. 23.

‡ Writings, IX. 120.

§ Ibid. IX. 186.



will, doubtless, continue to write. But the facts have not always been fairly construed nor correctly stated. "The heroes of seventy-six" were not all wise men—were not all statesmen. They did some weak and wicked things, and attempted others that were quite impracticable. Bills of credit they issued at the very outset of the war, and by repeated acts established the paper money policy, without trying to provide means in other ways. They emitted them because they had confidence in them; because they thought other provision unnecessary, and because the lessons of experience had been forgotten. Congress was unwilling to impose burdens on the people. "Do you think," said one of their number, "that I will consent to load my constituents with taxes, when we can send to our printer and get a wagon load of money?"\* The truth is, the masses had never been convinced of the folly of the paper money experiments which had been made, on former occasions. In colonial times, they were choked off, prematurely as they thought, by the stern decrees of the British government: this was the feeling in New England. Those who issued bills of credit in 1775 did not do it because every other measure had been tried and failed. They did not continue the issues, in 1776 and 1777, under the pressure of any demonstrated necessity, and as the only alternative. On the contrary, they were governed by false notions of economy, by popular clamor and the debtor interest. They wished to wage a cheap war—one which should provide an economical method of discharging debts. Do not their acts justify this conclusion? They did not try taxation to which they had been accustomed, and which, at first, they were well able to bear. Instead of this, they went plunging on in the road to certain ruin. The first five million tax, Congress did not so much as "recommend" till after the lapse of more than two years and a half. Money might have been obtained by loan, but this was not attempted for eighteen months, nor till \$20,000,000 in continental bills had been emitted, and the public credit shaken. And when an effort was made, the proposed rate of interest

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\* P. Webster.

(four per cent.) was too low to tempt lenders. The next thing that was tried (with about equal success) was a lottery.

But Congress, it will be said, had no control over the property of the country—had not the power to levy taxes or borrow money, and by its acts to bind the people. But the states had the needful authority. This, however, they refused to exercise. They pursued the policy of the general government, and (while credit lasted) made their contributions to the common cause, in paper money. As for Congress, it had as much authority in the first as in the third year of the war—as much to levy taxes and make loans as it had to issue bills of credit. It was in the habit of doing things which it had no legal right to do. Besides, its “recommendations,” at an early period, when the fever was up, had the force of law; while any power which it lacked, the state authorities might have conferred. If the machinery for the convenient collection of taxes were wanting, this could have been supplied by the states. The latter found no difficulty in making continental bills legal tender, or in doing anything which seemed to cost little. There doubtless would have been found some means to get at the resources of the country had it not been for the misplaced confidence in paper issues. A firmer will, with a greater readiness to make sacrifices, would have opened a way. The paper money plan, after deluding the people and wasting their means, broke down at a critical period of the war. Then, when enthusiasm had nearly died out, and gloomy forebodings had taken its place—when credit was greatly impaired, and the country approaching a state of exhaustion, Congress and the state governments, sensible of their error, resorted to ways and means which should have been adopted at the outset. In the then crippled condition of the country, could anything but failure have been anticipated? The taxes called for were not paid. On the thirtieth day of October, 1781, Congress demanded of the states \$8,000,000 for the service of the year 1782. On the thirtieth of January, 1783, but \$420,031 $\frac{2}{3}$  $\frac{0}{10}$  had been received into the Treasury.\* Instead of alledging that

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\* Journal of Congress.

our independence was won with paper money, we might better say that it was gained in spite of it. The subsidies and loans from France were obtained at a most critical juncture. Indeed, it is difficult to see how we could have recovered from the blasting influence of paper money, and continued the struggle, without the active assistance of that nation.

It cannot be denied that bills of credit were, in the beginning of the war, a convenience. They afforded a ready and certain means of raising money at a small apparent cost. Nor would much injury have resulted had the issues been checked seasonably, when the channels of circulation were filled. But it is much easier to open the sluices of paper money than it is to close them. Whoever yet knew the flow to be stopped till disaster had overtaken those in the management? So long as the current is feeble, doing no mischief, it seems unnecessary to restrain it. When it has become a flood, resistance is hopeless.

It is quite true that the general and state governments were, for a time, provided with funds by means of a paper currency. The amount which Congress received from this source was considerable; though, owing to depreciation, the sum was but a fraction of that which it should have been, and for which its obligations were given. So desperate was the situation that a large proportion of this money was put forth when it was worth but ten or five or three cents on the dollar. The loss to the successive bill-holders was of course equal to the sum which the government gained. According to my estimate, taking the Philadelphia table of depreciation as a guide, the \$242,052,780 of the authorized continental issues must have brought into the Treasury some \$53,000,000, specie value. Hildreth makes the amount much greater, the tax on the country, according to him, equaling, "perhaps" \$70,000,000.\* But I suspect that Hildreth was governed in his calculations by the rule of depreciation established by Congress, unreliable as it is known to be. Of the \$53,000,000, nearly one half was derived from the bills issued, at their par value, in 1775 and 1776. Beside the amount which came from the old emis-

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\* History of the U. S., Vol. III., p. 446, (first series.)



sions, the government received about \$530,741, specie value, from the new issues of 1780, reckoning these to have been paid out at the rate of three for one of coin. But this sum was not finally lost to the holders of the new bills. The \$53,000,000 may be stated as the amount which continental money extracted from the pockets of the bill-holders. The resources of the country were depleted by the operation to this extent. Had notes of circulation not been used, the funds thus obtained would have remained in the hands of the people, to be drawn forth, it may be, in other less objectionable ways. Mere convenience could not excuse the action of Congress. A more enlightened policy and a truer statesmanship, backed by a higher order of patriotism, would have saved much treasure, and wrought out more glorious results.

The loss to continental bill-holders was widely distributed, but fell with most weight on the commercial classes. In this point of view, it may be regarded as a tax on the people very unequal in its operation, but no more so perhaps than the measures which are often resorted to in war-time to obtain money. But there is another aspect to this paper money policy—another effect, already alluded to—which no one can deny or defend. The laws emitting paper money and making it legal tender were iniquitous, (in the language of Washington, “nefarious,”) because they broke contracts, robbed creditors for the benefit of debtors, plundered the industrious classes to enrich speculators and gamblers, and bestowed rewards on dishonesty and immorality. The man who had parted with a month’s or year’s labor, or its worth in cloth or coin, and, as an act of indulgence, had taken a note payable at a future day in dollars, was cruelly and shamefully defrauded. The governments under which this was done, though instituted to administer justice and protect the right, deceptively altered the terms of the note. They, in effect, interpolated a clause making that which was redeemable in one thing payable in another. By juggling legislation, they changed the meaning of the important word dollar, and thus annulled the contract.\* What

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\* Thus wrote David Ramsey, in 1789, after having spoken a kindly word for paper money: “Congress attempted to prop its credit by means which wrecked

should we think of a statute which expunged "wheat" from all contracts to deliver that article, and inserted in its place "straw" or "chaff"? Should we regard the enactment as ingenious—or flagitious? Would not the courts set it aside on account of its fundamental wickedness, and for the reason that it broke contracts?—This operation of the tender laws was quite distinct from the losses sustained by the bill-holders. The forced sacrifices from this cause exhausted the resources of the more industrious and thrifty portion of the population, without conferring any benefit on the government. In the end, rulers and the ruled were alike brought to shame.†

It is peculiarly important that the currency should be kept sound during the progress of a great war, when so many disturbing causes are at work. This is required in order that industry may be as little interfered with as possible—that labor receive its just reward—that capital be not unnecessarily sacrificed—that habits of extravagance receive no encouragement, and the fell spirit of speculation no rewards. A paper currency, issued in excess, increases largely (enormously, it may be)

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private property, and injured the morals of the people, without answering the ends proposed. \* \* The poor became rich, and the rich became poor. \* \* The evils of depreciation did not terminate with the war. They extend to the present hour. That the helpless part of the community were legislatively deprived of their property was among the lesser evils, which resulted from the legal tender of the depreciated bills of credit. The iniquity of the laws estranged the minds of many of the citizens from the habits of love and justice. The nature of obligations was so far changed, that he was reckoned the honest man who, from principle, delayed to pay his debts. \* \* Truth, honor and justice were swept away by the overflowing deluge of legal iniquity. \* \* Time and industry have already, in a great degree, repaired the losses of property, \* \* but both have hitherto failed in effacing the taint which was then communicated to their principles, nor can its total ablution be expected till a new generation arises, unpractised in the iniquities of their fathers." *Hist. of the Am. Rev.*, Philadelphia, 1789, II. 133, 135, 136.

† A curious but fair illustration of the changes wrought by paper money on the relations of debtor and creditor may be seen in the following extract from Gordon's *History of the American War*, IV., 145.—"A merchant of Boston sold a hogshead of rum for £20, cask included. The purchaser did not settle for it till after the seller applied to him for an empty hogshead, for which he was charged £30. When they came to settle, the merchant found, upon examining, that he had to pay a balance of £10 on that very cask, which, with the rum it contained, had been sold for £20."

Dr. Gordon copies largely from P. Webster's *Essays*, without credit.

the cost of war, while, at the same time, the reservoirs of wealth are dangerously depleted, and the sources which should supply the waste dried up. It increases, too, the sacrifices and the perils which come in the train of peace, as I shall explain in another place.

It may be unnecessary to say here that paper money does not increase the capital of a country—cannot add to its productive means, except so far as it displaces the coin which was before in circulation. The coin thus liberated is added to the list of exportable commodities, and may be used to increase the supply of imported goods or capital. From the gross gains, however, must be deducted the expenditures required to furnish and maintain a paper currency. The charges for paper, engraving, printing, signing, &c.—for renewing defaced and mutilated bills, for catching and punishing counterfeiters, &c.—are much more considerable than is generally supposed, and are greater in proportion as the currency is inflated.\* Suppose the \$200,000,000 of continental bills which were in the hands of the people in the beginning of 1780, had continued to be the circulating medium of the states:—the annual cost of supporting the system would have been large, and might have exceeded the whole amount saved. The saving, if any, would, of course, have been equal to the interest on the specie naturally required to do the business of the country. This Mr. P. Webster estimated at ten or eleven million dollars.

It is true that an increase of the currency by means of paper money gives activity to business, and, to a certain extent, stimulates industry. Men engaged in the production and exchange of commodities receive more nominal dollars than they did before, and, very innocently, think themselves getting rich. They do not consider the fact that their dollars have a diminished value. The delusion is a most agreeable one, encourages business men, and prompts to more vigorous exertion. As a result, production is, for the time, augmented and wealth in-

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\* The French assignats were, at one time, while still in circulation, scarcely worth the expense of printing alone. See *Smith's Wealth of Nations*; Supplement by the editor. II. 359. Hartford edition.



creased. But this is only the first effect of a money inflation. Continue to apply the stimulus, and other effects follow—speculation, reckless enterprise, extravagance and fraud. Industry is neglected or despised. At last come paralysis and collapse, when it is seen that far more has been lost than gained.

That is a vulgar error which supposes that, in a time of war, when government must obtain and disburse large sums of money, more currency is needed than at other periods. This mistake comes from assuming that the large financial operations of the government are an addition to the ordinary business transactions of the country. No doubt, many thousand soldiers are to be paid. Military and naval stores are to be purchased, on a large scale. The work of destroying human life cannot go on without much money. But, in the aggregate, no more men are to be provided for, no more wages to be paid, than before the war. Many persons that were previously employed by individual capitalists, have gone into the service of the state. There is a transfer of laborers from peaceful to war-like occupations, but no addition to their number or wages. Nor is the sum total of commodities to be exchanged by the use of money increased. Indeed, there is a rapid and progressive diminution. Laborers in becoming soldiers cease to be producers. Their industry no longer adds to the exchangeable commodities of a country. The uses of a circulating medium, then, instead of being enlarged, are contracted by war. If the operations of government are on a more extended scale, those of individuals are limited in a still greater proportion.\*

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\* As an example of the crude notions which prevail in high places on the subject of the text, I would refer to the published opinions of the judges of the Court of Appeals of New York in the famous legal-tender case, September, 1863. It was the right and duty of Congress, says Judge Balcan, to call forth and maintain an army and navy sufficient to put down the rebellion; but this could not be done, he continues, "without adequate pecuniary means, and without the expenditure of vastly more money than could have been borrowed in coin in the entire world." "Could Congress have been justified by the Constitution," exclaims the Judge, "if it had permitted the republic to perish, because enough gold and silver coin could not be borrowed to save it?" The issue of several hundred million of government legal tender paper money was, therefore, justifiable, and within the meaning of the Constitution. This is the reasoning; and

Nor do additions to the currency make it more efficient, or give it increased value, as I have explained in another place. After the revolutionary Congress had put forth two hundred million in bills, the whole were worth no more—had no more exchangeable value—than the money which they had displaced. Nor did this large amount of paper do the business of the country more easily or more perfectly than it would have been done by a contracted and more valuable currency. Indeed, as a matter of fact, the contrary was true.

The idea of making the currency more efficient by increasing its volume, is quite as absurd as it would be for a cloth-dealer to think of facilitating his operations by multiplying his yard-sticks. Two or four yard-sticks, in one man's hands, would measure no more cloth than one. Nor would the process be expedited, though the government should enact that each yard measured by four sticks should be called four yards, and should pass current for four. In the last case, the merchant would, indeed, have a greater number of nominal yards, but no more goods than before. He could in no way be benefited, unless he had old debts to pay in *yards*, which he could discharge in the new measure, one being equal to four. In this way, he would save three-quarters of his cloth, and become rich at the cost of his creditors.

A government which hastily resolves to issue paper money, and thus depreciates the currency, commits a grave offense against honesty and good morals. It does an act which is equivalent to altering the standard of weights and measures, without protecting those under contract to receive or deliver goods, who would be ruined by the new law. It does an act which is no better in principle or effect than dividing or debasing the coin. The kings of Europe used to melt up their money and issue new pieces, one half or one quarter the weight of the old, retaining the names. With the new issues, bearing falsehood on their face, spendthrift princes paid their debts, and

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Judge Davies, in his opinion, starting from similar premises, and by an equal display of logical acumen, arrives at the same conclusion. Respect for the highest court of the great State of New York, prevents my saying more.

in this way, contrived to over-reach their masters, the Jews. All creditors were obliged to receive them at their nominal value, getting, say, six pences or three pences when shillings were due. But the trick was apparent, and in process of time it became too disreputable for repetition. As civilization advanced, a more refined and less obvious method of cheating was required. Rulers discovered that the desired objects might be attained by the use of bills of credit, and without shocking, in an equal degree, the half enlightened moral sense. By their agency, men might be swindled, almost without their knowing it. So cunning was the plan that a people might be deprived of their earnings or savings while the hand which robbed them was invisible. But when a person is to be plundered by those whose duty it is to protect him, is the suffering or wrong less because the thing has been done cleverly? Is a pick-pocket a more respectable character than a highwayman? On the contrary, would it not be more manly—more statesmanlike—to throw off disguise, and do what must be done openly and by direct means? A depreciated currency note is no more respectable than a false coin. It claims to be what it is not, and is, therefore, a cheat and a snare. In an important sense, the coin is the better of the two. So long as it contains any of the precious metal, it represents labor and has a substantial value. It will be worth no less next year than it is this. Its purchasing power will remain, though government should continue to make other pieces like it or lighter than itself. But it is not so with paper money. Though valuable to-day, it may be nearly worthless six months hence. Should you lay aside some thousand for a time of need, your store when wanted may have turned to useless rags. Every new emission reduces the reserved fund, and makes all the hoarders of money poorer. Nor will the catastrophe be averted should you put your "legal tenders" in a savings bank, loan them, or buy with them money stocks, or a life annuity.



## CHAPTER XI.

## CONNECTICUT FINANCES AT THE CLOSE OF THE WAR.

THE state indebtedness, at the close of the war, consisting of certain sums due the "Connecticut line" of the continental army, treasury notes, pay-table orders, and sundry other obligations, I find it difficult to determine with entire certainty. I give below what may be considered an approximate estimate, in May, 1783, which I have derived from document number 180, in the fifth volume on Finance and Currency in the State Library.

*Debts contracted since 1775.*

Securities due the Connecticut line, exclusive of interest,.....	£427,725
Treasury notes payable one year after the war, dated February first, 1781. [These were originally given partly for moneys borrowed, and partly in exchange for bills of credit of the old emission].....	395,010
Do. given for horses for Col. Sheldon's regiment, dated June 1st, 1781, and payable June first, 1783,.....	5,900
Do. given for beef cattle, payable one year after the war,.....	40,284
Do. for sundry services and supplies estimated at....	20,000
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Total securities,.....	£888,920
State bills of 1780, in circulation, exclusive of interest,.....	49,000
Orders drawn by the committee of pay table, not yet received by the Treasurer, April fifteenth, 1783,.....	72,460
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Total state money debt,.....	£121,460
Committee of pay-table orders in excess of the two and six penny tax...	62,183
Unliquidated debt, say,.....	35,000
Other specified items, .....	27,590
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	£124,773

The several sums in this statement amount to £1,135,153. It is the clearest and most complete account which I have been able to find ; but it does not always harmonize with apparent

facts to be derived from other documents. The latter, however, are more uncertain as to date or in some other particulars, and I have selected from a paper which seemed, on the whole, most reliable. In the document numbered 200, in the same volume, which should apparently bear the date of October, (1783), the whole debt of the State is made out to be £1,097,276, £35,876 less than appears by the other statement. But the truth is, the finances at the close of the war were in great disorder. In the confusion which prevailed, it is doubtless true that only an approximate estimate of the state indebtedness could then be made.

Connecticut, then, came out of the war with a debt of more than eleven hundred thousand pounds, nearly the whole of it reduced to specie value, and payable in coin; and all, except bills of credit, bearing six per cent. annual interest. In addition, there was a considerable amount of accrued and overdue interest. The aggregate was, indeed, a formidable sum; but when increased by Connecticut's share of the continental debt, reckoned at one-tenth of the whole, it became appalling. The population of the State was, at this time, a little over 200,000, and the taxable list of polls and estates nearly £2,000,000. From the last sum there had to be deducted, because of financial embarrassments, a large per centage (twenty-five per cent.) for abatements.\* It should, however, be remembered that a considerable part of the state indebtedness had grown out of the fact that the State had made advancements for the common cause beyond her proportion. A large sum had been paid under a misapprehension of the existing acts of Congress. Connecticut had settled with her line of the army up to the first of January, 1782, when Congress resolved that after the first of January, 1780, the army should be paid by the general government. The Assembly, therefore, after recounting the services which it had rendered, by which means, in spite of

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\* At the close of the war, it was ascertained that the abatements of taxes had, throughout its duration, amounted, on an average, to about one quarter. A committee was appointed, in May, 1783, to inquire into the subject. A tax of one penny on the pound, which should have produced more than eight thousand pounds, netted but little over six.

"taxation to the utmost," "an immense local debt" had been incurred, resolved in January, 1784, that his Excellency, the Governor, through our delegates, should make a claim on Congress for certain extraordinary expenditures, among others, for the moneys paid to the Connecticut line, through misapprehension. I cannot find that any special attention was given to this application. Commissioners were, however, afterward appointed to ascertain the claims of the several states against the United States, and to adjust the accounts.\* Finally, the whole matter was turned over to the new government.

In May, 1783, the Assembly voted to procure a loan of £609,572, lawful money, redeemable in from three to ten years, with six per cent. annual interest payable in gold and silver, the avails of which were to be used to pay the principal of the debt then due, or to become due before the first of June, 1784. No notes were to be issued under ten pounds. Takers of the loan might pay for the same in state obligations "as ascertained in hard money." To meet the interest, the tax of two pence on the pound laid in 1781, payable December first, annually, in gold and silver, and set apart for interest, was increased to six pence.

The interest on the state debt was not paid with regularity, if at all, in cash. Usually a settlement was made, for the time being, by an issue of interest-certificates, which were receivable

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\* On the 20th of February, 1782, Congress passed a resolution providing for a commissioner for each state, the same to be nominated by the Superintendent of Finance, and approved by the state for which he may have been designated, with full power to liquidate and settle all accounts between it and the United States, for money, supplies and services provided by said state, the same to be estimated according to the scale of depreciation established June 28th and July 29th, 1780. The purpose was to ascertain the expenses of the war up to January 1, 1782, in order that they might be apportioned equitably among the members of the Confederacy. Annual interest was to be credited or debited to each state which had furnished more or less than its proportion. June 3, 1784, more particular rules were laid down for the guidance of the commissioners. At a still later period, May 7, 1787, an ordinance was passed providing for five commissioners, whose duties were similar to those whose term of service had expired—one for each of the five districts into which the states were divided. A report was to be made in twelve months, and the states were to be allowed six months in which to present their claims.



for certain taxes. No sooner was peace restored than the most serious discontents arose on account of the burden of taxation. The half pay for life granted by Congress to officers of the army was the subject of bitter complaints, and in some towns of the State of riotous demonstrations. To increase the burden of the tax payers, all moneys loaned to the State or the United States, and the polls of non-commissioned officers and soldiers serving in the army were, by law, left out of the list. The public debt, said the Assembly in their application to Congress, already referred to, January, 1784, "imposes such a burden upon the inhabitants that they are endeavoring to avoid the weight of it by emigrating into states where the burden of taxation is much less." The population of Connecticut, at this time, was made up, almost wholly, of small farmers who gained a living by the sweat of the brow, and who earned, in good times, but a small surplus. So limited were their means, and so severe the drain upon their resources, that the Assembly felt constrained, in May, 1784, to suspend for three years the gathering of taxes "not then in collection," excepting the annual December six penny tax for interest, and such other taxes as it might be necessary to grant for the support of civil government. There were then due to the State large arrearages of taxes, the accumulation of several years.\* To facilitate the payment of these, it was further enacted that any of the state securities due before March first, 1784, which had been reduced to specie value, should be receivable for all taxes except those granted for sinking the state bills, for the payment of army notes or the state interest, for the support of civil government, and for the use of the United States. The holders of the bills, notes, &c., thus excepted were considered as preferred creditors. Certain taxes had been levied for their special benefit which were payable in the obligations which they themselves held.

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\* In a document dated May 17, 1783, (Finance and Currency, Vol. V., Doc. 194,) will be found a statement of the balances of state taxes then due from the several towns. Those payable in continental currency amounted to £1,446,807; those payable in state money to £17,389; those to be paid in specie to £205,160. The paper is signed by Oliver Wolcott, Jr., and William Moseley, committee.

The taxes granted for the maintenance of government, state and national, could be discharged only in specie, or "Morris' notes," or orders on the civil list. The State was earnest in its endeavors to discharge its public debt. Excise and import duties were laid which were pledged to the public creditors, and payable in soldiers' (army) notes or interest certificates. The bills of credit of 1780 were to be received at their nominal value for western lands sold, except twenty seven dollars in hard money for each township \*. As for the requisitions of Congress, Connecticut followed the example of the other states, and delayed or declined payment. In October, 1786, the Governor was to inform the President of Congress, by letter, of the embarrassment of the State by reason of the arrears of taxes, &c., "inducing a non-compliance" with the requisitions of Congress.

In the several ways which have been mentioned, by a most stringent system of taxation—a system once suspended, but never abandoned—the state debt was so diminished that, on the first day of November, 1789, it amounted to only about £608,043.† It was diminished, not by payment in full, in good

\* 500,000 acres of western lands lying west of Pennsylvania and south of Lake Erie were afterward (May, 1792) granted to sundry persons, inhabitants of certain towns lying on and near the Sound, who had suffered from the depredations of the British during the war. The aggregate of damages sustained, according to the report of a committee, in May, 1791, was £151,606 : 8 : 6.

† In the Am. State Papers, Finance, I., p. 29, will be found a statement by Mr. Pomeroy, (the Comptroller,) of the state debt, at the time mentioned, as follows:

Notes issued to the Connecticut line, payable a part in each	
year from 1782 to 1789,.....	£148,564 : 3 : 4½
Do. dated February, 1781, as per act of Assembly, November,	
1780,.....	153,229 : 8 : 6½
Do. of various dates, as per act of Assembly, May, 1781,.....	33,947 : 11 : 8½
Do. dated June 1, 1781,.....	1,932 : 8 : 0
Do. of various dates, as per act of May, 1783,.....	41,841 : 6 : 1½
Do., as per act of May 1789, for old notes re-loaned,.....	180,890 : 1 : 0
	<hr/>
	560,404 : 18 : 9¼
Notes payable out of civil fund list,.....	2,856 : 11 : 4
Interest certificates,.....	19,140 : 3 : 9½
Balance of state bills of 1780,.....	24,948 : 9 : 1
Balance of orders payable out of the one shilling tax,.....	692 : 8 : 10
	<hr/>
	£608,042 : 11 : 10

faith, and in hard cash, but by first reducing the nominal amount of the debt, and secondly, by a mode of taxation which secured to the State the benefit of its poor credit. By making the taxes which were imposed on account of the public debt, payable in the depreciated evidences of that debt—in soldiers' notes, interest certificates, pay-table orders, bills of credit of 1780, &c.—the government diminished the burdens of the people one half or more. But what the tax-payers gained the public creditors lost. I am not denying that Connecticut did well under the circumstances—as well as she conveniently could, and better than could have been expected: I am only stating what her performance was, and how the parties interested were affected by it.

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## CHAPTER XII.

### COST OF THE WAR. FINANCIAL EMBARRASSMENTS. THE ARTICLES OF CONFEDERATION NEED MENDING.

THE whole expense of the revolutionary war, according to Mr. Hildreth, was about \$170,000,000, two-thirds of it borne by the general government, and the balance by the individual states. I do not know whence these figures are obtained, but the gross sum must be too large. The Register of the Treasury, in 1790, estimated the expense at \$135,193,703, specie value, inclusive of \$21,000,000 (by computation) expended by the several states. The following is his account, copied (slight errors excepted) from the published "Statements of the Receipts and Expenditures of the Public Money during the administration of the Finances by Robert Morris, Esq.," &c. (In the treasury payments, continental bills are reckoned, the old, according to the scale of Congress, the new, at the average rate of about one and nine-tenths for one. See pp. 31, 32.)



GENERAL ABSTRACT OF THE ANNUAL ESTIMATES, AND ABSTRACT  
STATEMENTS OF THE TOTAL AMOUNT OF THE EXPENDITURES  
AND ADVANCES AT THE TREASURY OF THE UNITED STATES.

The estimated amount of the expenditures of

	Dolls.	90th.
1775 and 1776, is, in specie,.....	20,064,666	66
1777, " " .....	24,986,646	85
1778, " " .....	24,289,438	26
1779, " " .....	10,794,620	65
1780, " " .....	3,000,000	00
1781, " " .....	1,942,465	30
1782, " " .....	3,632,745	85
1783, " " .....	3,226,583	15
To Nov. 1, 1784, as per schedule D, and subordinate accounts,.....	548,525	63
Amount total,.....	\$92,485,692	75

The foregoing estimates, being confined to actual treasury payments, are exclusive of the debts of the United States, which were incurred at various periods and should be taken into view, viz.:

Army debt, upon commissioners' certificates,.....	\$11,080,576.01
For supplies furnished by the citizens of the several states, for which certificates were issued by the commissioners,.....	3,723,625.20
Supplies furnished in the quarter-master, commissary, hospital, clothing and marine departments, exclusive of the foregoing,.....	1,159,170.05
Supplies on accounts settled at the Treasury, and for which certificates were issued by the Register,.....	744,638.49
	<u>\$16,708,009.75</u>

(The loan office debt formed a part of the Treasury expenditures.)

The foreign expenditures, civil, military, naval and contingencies, amount, by computation, to.....	5,000,000.00
The expenditures of the several states cannot be stated with any certainty, because the accounts thereof remain to be settled. But as the United States have granted certain sums for the relief of the states, to be funded by the general government, therefore estimate the total amount of said assumption.....	21,000,000.00

Estimated expense of the war, in specie,.....\$135,193,702.60

The advances made from the Treasury were principally in a paper medium, called continental money, which in a short time depreciated; the specie value of it is given in the foregoing estimate. The advances made at the Treasury of the

United States, in continental money, old and new emissions, were estimated by the Secretary of War, in 1790, (see "Statements," &c., pp. 26-32,) as follows:

	Old emission.		New emission.		
	Dolls.	90th.	Dolls.	90th.	
In 1776,.....	20,064,666	66			These bills are estimated, in the table of treasury payments, the old at \$82,920,575, and the new at \$1,089,624, specie value.
1777,.....	26,426,333	01			
1778,.....	66,965,269	34			
1779,.....	149,703,856	77			
1780,.....	82,908,320	47	891,236	80	
1781,.....	11,408,095	25	1,179,249	23	
	<u>357,476,541</u>	<u>50</u>	<u>2,070,486</u>	<u>13</u>	

No unpaid interest which accrued after the war appears to enter into the preceding estimate of expenditures, except that which had accumulated on the sums expended by the state governments. The amount assumed for these sums is doubtless small enough, (as appears from the final settlement,) so that no deduction need be made on account of included interest. The Register's whole estimate must be taken as only an approximation to the truth. But as the scale of Congress (which overvalued continental money) was used to ascertain the specie value of the sums paid out of the Treasury, and to liquidate and settle the claims against the government, and the advances made by the several states, the assumed grand total of \$135,193,703, it is fair to suppose, very considerably exceeds the actual expenditures. In other words, the war probably cost less in treasure alone than the government paid, or rather agreed to pay.

To meet the expenditures of the war, money had been borrowed as far as possible. A continental debt was thus created which, on the twenty-fourth day of April, 1783, according to the Journal of Congress, amounted to the following sums:

#### FOREIGN DEBT.

Due to the farmers general of France,.....	Livres 1,000,000
Due to individuals in France on unliquidated accounts, estimated,.....	" 3,000,000
Due to the crown of France, including a loan of 10,000,000 borrowed in Holland, and for which France is guarantee,.....	" 28,000,000
Due to do., a loan for 1783,.....	" 6,000,000
	<u>Livres 38,000,000</u>

Or in dollars, at five livres and eight sous each,	\$7,037,037
Due to lenders in Holland, received in part of the loan contracted for by Mr. J. Adams, 1,678,000 florins,..	671,200
Borrowed in Spain by Mr. Jay,.....	150,000
One year's interest of Dutch loan of 10,000,000 livres,	26,848
Foreign debt, Jan. 1, 1783,.....	<u>\$7,885,085</u>

## DOMESTIC DEBT.

Duc on loan office certificates, reduced to specie value,	11,463,802
Interest unpaid for 1781,.....	190,000
Interest unpaid for 1782,.....	687,828
Credit to sundries in treasury books,.....	638,042
Army debt to Dec. 31, 1782,.....	5,635,618
Unliquidated debt, estimated at.....	8,000,000
Commutation to the army, agreeable to the act of 22d March last,.....	5,000,000
Bounty due to privates,.....	500,000
Deficiencies in 1783, supposed.....	2,000,000
Domestic debt,.....	<u>\$34,115,290</u>
Total debt,.....	<u>42,000,375</u>

## ANNUAL INTEREST OF THE DEBT OF THE UNITED STATES.

On the foreign debt, part at four and part at five per ct.,	369,039
On the domestic debt, at six per cent.,.....	2,046,917
	<u>\$2,415,956*</u>

This debt (from which continental bills were excluded—on the ground apparently that as they were worth nothing, they constituted no obligation) was increased before the end of the year, so that it may be stated, at the conclusion of the war, in round numbers, at \$44,000,000. This sum does not, of course, include the obligations of the individual states† which, accord-

\* See Journal of Congress, April 29, 1783.

† I have been unable to find any general account of the state debts at the close of the war. The following statement, made out after the adoption of the Constitution, is taken from the Am. State Papers, Finance, I., 28, 29:

Massachusetts, principal and interest to Nov. 1, 1789,.....	\$5,226,801
Connecticut, principal and interest to Nov. 1, 1789,.....	1,951,173
New York, principal and interest to Jan. 1, 1790,.....	1,167,575
New Jersey, "principal unredeemed,".....	788,681
Virginia, principal on domestic debt, and principal and in- terest (£40,826) on foreign debt,.....	3,680,743
South Carolina,.....	5,386,232
	<u>\$18,201,206</u>



ing to Mr. Hildreth, amounted to twenty five or twenty-six million dollars.) If the aggregate indebtedness were sixty-nine or seventy millions, and the whole expenditures \$135,000,000, the difference should show the amount raised, in different ways, by taxation. In another place, I have assumed the losses sustained by the holders of continental bills of credit to be equal to a tax of \$53,000,000. But I have not confidence enough in the figures to proceed further in this direction.

So soon as the war was over, a spirit of speculation made its appearance. This was favored by the new fields which were opened for profitable investments, and the abundance of the precious metals. A period followed lasting till the inauguration of the new government in the spring of 1789, which was distinguished by financial disaster and great privation.

The change from war to peace—from the business of destroying to that of supporting human life—rendered necessary a great change in the industry and capital of the country. A like change, whatever the occasion, can never be abruptly made without enormous losses—losses which cannot long be concealed. At the time the states were so nearly exhausted by herculean military efforts, they were called upon to bear new burdens—to make new sacrifices. The people, seeing no end to their sufferings, naturally became discontented. Specie, for some time plentiful, had, owing to the revival of trade and the excessive importation of goods, become scarce, and the currency, so far as it was made up of coin, underwent a sharp contraction.\* Then it was that the pecuniary burdens of the war were

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Amount brought forward.....	\$18,201,206
New Hampshire, estimated,.....	300,000
Pennsylvania, estimated,.....	2,200,000
Maryland, estimated,.....	800,000
	<hr/>
	\$21,501,206

Four of the states, it will be observed, are not mentioned, and those named may have had (as in the case of Connecticut) a larger indebtedness at the close of the war. Guided by the above statement, Mr. Hamilton thought that the whole indebtedness of all the states at that time (Jan., 1790) might amount to about \$25,000,000. The state debts generally bore six per cent. interest.

\* It appears from the "English custom-house books" that the imports from England in the two first years after peace, (1784 and 1785,) amounted to £5,987,-

justly appreciated. They were felt to be insupportably oppressive.\* The impatient multitude, struggling for emancipation, cast about for objects on which to vent their rage. They complained of the continental and state governments, of unequal and unjust laws, high public salaries, extravagant court fees, the extortions of lawyers, the oft-repeated requisitions of Congress, the impost and excise taxes, and cruel exactions of every kind. They felt that they were wronged and robbed, and yet toiled on ineffectually. In their desperation, comparing their privations with their better condition during the war, they began to clamor once more for paper money. The debtor class united themselves to speculators, adventurers and gamblers in favoring this movement. The dire calamities and rank injustice which were sure to flow from the desired measure were uncared for. Men had become reckless. The moral sense was blunted, the public conscience seared—the natural effect of war and a depreciating currency. Rhode Island was the only New England State that sought a remedy for the present evils in new paper issues. A party was formed which, thoughtless of consequences, advocated this policy. It was opposed by the mercantile class, and favored, as a general rule, by the farmers. It awakened fierce passion and bitter strife, and ended in mobs and riots. At length, when the new party obtained the control of affairs, a government paper money “bank” of £100,000 was establish-

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490, sterling, and the exports to £1,642,939, sterling, a difference of £4344,551 sterling, which could be paid only in specie, or in bills of exchange derived from favorable balances in the trade with other countries. There are no data from which the whole trade of the United States, at that time, can be correctly estimated. See Pitkin's Statistical View of the United States, p. 30, 2d ed.

\* The list of polls and estates of this State which, at the end of the war, amounted to about £2,000,000, had, in May, 1785, run down to £1,559,623 : 16 : 8, and in 1788 to £1,462,860 : 10 : 11. (In 1795, it was only £1,715,516.) A part of this great reduction was doubtless owing to the act of May, 1784, which imposed diminished taxes on live-stock; but a part also must have been due to a pinched money market and high taxes. Industry was discouraged, agriculture contracted. There was little motive to accumulate tax-paying property. Men sold their farms and emigrated to other states. Young men forsook their occupations and took to the seas. Thus the list, as derived from polls and estates, was much reduced, and the rate of taxation correspondingly increased.

ed, the bills to be loaned on pledge of real estate, and to be receivable for continental taxes. This was in May, 1786. "The new system," says Arnold, "was more destructive in its effects upon the peace and prosperity of the State than any that had yet been attempted, and whose baleful influence was to extend far beyond the period when its name and objects had passed away."\* A "forcing act" was soon necessary to compel the refractory to take the bills, and a fine of £100 was imposed for refusal. When this act was decided by the highest court to be unconstitutional, a special session of the Assembly was called, and the judges summoned to appear "to assign reasons and grounds" for their decision. Defending themselves with intrepidity, they "gave no satisfactory reason for their judgment," and were discharged. By the course she took in this matter, Rhode Island earned, as she had done before, no little infamy. Her promises soon came to be worth no more than six or eight for one of specie. The other offending states—those which yielded to the paper money pressure—were New York, New Jersey, Pennsylvania and Georgia.

In the stormy and perilous times about which I am writing, in no state did affairs wear a gloomier aspect than in Massachusetts. The unquiet, over-burdened masses, hoping little relief from the established order of things, looked to untried expedients and unauthorized measures. "No desperately indebted people," says some one, "can long endure a regular, sober government." Excited passion, breaking over legal restraints, culminated in a formidable rebellion. It made its first appearance in western Massachusetts, and was headed by one Capt. Daniel Shays. The insurgents called for sundry reforms in the state government, prevented the sessions of the courts and demanded paper money. Four thousand militia soon restored order; but men's minds were powerfully impressed with the dangers with which good government was threatened, and the utter helplessness of the Confederation.

During this critical period† Connecticut was not a disinterested

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\* History of Rhode Island, II., 519.

† In the debate on the assumption of the state debts, in the first Congress un-



spectator. Many of the people, at first a majority, sympathized with the malcontents of Massachusetts and the other states, as has been mentioned. But their "steady habits," their conservative education, their traditionary respect for the state government, taken in connection with the prompt and energetic measures of those in power, prevented any dangerous outbreak.

In the condition of things which has been described, little could be done in the way of paying the public debts. The requisitions of Congress upon the states were little heeded, the less so as they were repeated, and the unpaid interest was allowed to accumulate to a large extent. Of the sums called for from 1782 to 1786, amounting to more than six million of dollars, to meet the interest on the domestic debt, about one million only had been paid on the thirty first day of March, 1787.\* The insufficient loans which Congress was able to obtain in Europe were used to pay interest on the foreign debt.† Under these circumstances, the government credit was so poor that liquidated and certified claims against it were worth no more than twelve and a half or fifteen cents on the dollar. At the time the debt was finally funded, (January first, 1791,) there had accumulated of unpaid interest, in the whole, \$15,050,884; \$2,020,716 of it on the foreign, and \$13,030,168 on the domestic debt. On the latter debt, there had been paid of interest, but \$4,944,128‡, and this in indents.

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der the Constitution, "Mr. Sedgwick declared that the insurrection which had just taken place in Massachusetts, was occasioned by the burden of taxes necessarily imposed on the people of that State, to pay a debt incurred merely for national purposes." The debts of Massachusetts, Connecticut and South Carolina amounted to about one half of those of all the States. See Pitkin's Polit. and Civ. Hist., II., 344, 345. Felt intimates that the debt of Massachusetts, in 1785, was £1,468,554 : 7 : 5. See Mass. Currency, p. 200.

\* Pitkin's Polit. and Civ. Hist. of the United States, II., 184-5.

† There were borrowed in Europe, after the war and before the Constitution went into operation, the following sums:

In Holland by contract dated March 9, 1784, at four per cent.	2,000,000 guilders.
Do. do. June 1, 1787, at five per cent.....	1,000,000 "
Do. do. March 13, 1788, at five per cent.....	1,000,000 "
The whole equaling, say, \$1,600,000. See Appendix to the Journal of Congress.	

‡ See American State Papers, Finance, Vol. I., 484.

Even before the concluding act of Maryland gave a quasi-vitality to the Confederation, statesmen had seen that, financially considered, it had fatal defects. It needed no prophet to perceive that the public creditors could not be paid—that the interest on the debt could not be discharged—that the faith and honor of the government could not be preserved—so long as Congress had no control over the wealth of the country. Without this control, no fund could be established, no security given as a basis for public credit. This fact was made apparent by the too often fruitless efforts of our commissioners to borrow money in Europe. It was signally illustrated by the peremptory refusal of the King of France, at one period, to make any further pecuniary advances. To remedy the difficulty, Congress, February third, 1781, the day after Maryland had authorized her delegates to subscribe the Articles, “recommended to the several states, as indispensably necessary, that they vest a power in Congress to levy for the use of the United States a duty of five per cent., *ad valorem*, at the time and place of importation, upon all goods, wares and merchandises of foreign growth and manufactures,” excepting “articles imported on account of the United States or any of them, and wool-cards and cotton-cards, and wire for making them,” &c.; “also a duty of five per cent. on all prizes and prize-goods.” The moneys (when collected) were appropriated to the payment of the public debts incurred for the support of the war, and the duties were to continue till said debts were discharged. Connecticut granted the required authority without delay, but limited the operation of the law to three years after the close of the war. This was not satisfactory, and the State was called on to amend its act.\* A new grant was made in January, 1782, in which the objectionable clause was removed. A harmless provision was added, intended to quiet apprehension, that no part of the moneys collected should be used “for the payment of any pensions or half-pay to discharged officers, or as a pension, gratuity, or consideration to any person or persons not then in the actual service of the United States.”

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\* See Journal of Congress, March 22, 1781.

After the lapse of nearly two years, all the states had adopted the recommendation of Congress except Rhode Island. To hasten her movements, Congress, December sixth, 1782, appointed a "deputation" to visit her "for the purpose of making a just representation of the public affairs of the United States, and of urging the absolute necessity of a compliance with the resolution," &c. But just as the deputation was about to depart, news came that Virginia had withdrawn her consent to the measure. Thus hope was deferred, and good men were "deeply affected." It seemed doubtful whether the states would part with more power—whether they would ever yield up to the Confederation enough of authority to clothe it with respectability, or to prevent its downfall.

When the war at last came to an end, the minds of far-seeing men were turned anxiously to the future. It was perceived that before the young republic could hold up its head among the nations of the earth, its finances must be reformed. Madison had been a member of Congress nearly two years; and Hamilton, aged twenty six, had recently taken his seat. These master spirits devoted their best energies to the salvation of the country, and the impost scheme was revived. On the twelfth of February, 1783, Congress agreed, by a nearly unanimous vote, to "a proposition reported by the committee of the whole," "that the establishment of permanent and adequate funds on taxes or duties \* \* are indispensably necessary towards doing complete justice to the public creditors," &c. After much earnest discussion, a resolution was adopted April eighteenth, 1783, asking the states to invest Congress with the power to levy a duty of five per cent., *ad valorem*, on all imported goods, except liquors, wines, teas, pepper, sugar, molasses, cocoa and coffee. The last were to pay a moderate specific duty. The moneys thus obtained were to go to discharge the interest and principal of the debts of the United States, contracted for the support of the war. The resolution also recommended that the states should establish, in the most convenient way, such "substantial and effectual revenues" as might produce, in addition to the above, \$1,500,000, annually. A provision required that the collectors should, in both cases, be



appointed by the states, but they were to "be amenable to and removable by the United States." This important measure required the assent of all the states, and was to continue in operation twenty five years. Hamilton voted against the resolution as it finally passed, because the plan did not concede enough to the Union; but urged its adoption by New York, partly on the ground that she was a creditor state, the debts due from the United States to her citizens very considerably exceeding the amount the latter would have to pay in taxes.\* On this matter, however, a word may be said. If New York was a creditor state, she became so by way of trade or purchase, and not by her contributions for the support of the war. In this last regard she was the great debtor state, which she still continued to be. She justly owes the federal Treasury, on the old account, \$1,852,036, and interest since January first, 1790.

These recommendations were sent forth, accompanied by an address to the states, prepared, it is said, by Madison, and written with considerable force. Appended to this paper were several other documents, the famous "Newburgh Addresses," so called, the argumentative letter of Hamilton, intended to answer the objections of Rhode Island to the former revenue scheme, &c.†

This measure, estimated to produce about \$2,416,000, and sadly defective in some particulars, did not meet with a very flattering reception. Peace had returned, the outward pressure was gone, and little interest, comparatively, attached to the central government. Congress was thinly attended. Some of the best men had left it, and gone home to look after their respective state sovereignties. There was dissatisfaction with several of its acts, and a jealousy of its power. Under these circumstances, its plan for raising a revenue gave rise to much opposition and prolonged debate. Connecticut was violently agitated. Though the great influence of Gov. Trumbull and his Council were on the side of Congress, its scheme, at two different sessions of the General Assembly, was rejected, "through

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\* Life of Hamilton, II., 186, 2d edition.

† See Journal of Congress, April 29, 1783.

the votes, principally, of farmers and mechanics," who supposed the burden of the taxes would rest on themselves. The question became mingled with several others hardly less exciting—questions relating to "commutation pay," the powers of Congress, "the order of the Cincinnati," and the system of state taxation. "These matters shook the State, politically, from one end to the other more fiercely than it had ever been shaken before, and the excitement was intense."\* The Lower House of the Assembly, in a petition to Congress, remonstrated against the powers exercised, and the policy pursued by that body. At length, however, passion and prejudice were softened, and the storm abated. The arguments, the resolution and influence of Gov. Trumbull and the federal party were able to control events. On the twentieth day of May, 1784, the popular branch of the Assembly, by a vote of ninety-three yeas to forty-two nays, passed an act levying the proposed duty on imports,† but ignoring the "supplementary" tax, designed to raise \$132,091, Connecticut's proportion of the \$1,500,000. Notwithstanding this law did not grant all that was asked, it was considered, at that time, a great triumph for the Union. But the authorities of the State did not cease to cherish their political privileges. Those constitutional or chartered rights which had been watched over with jealous care for more than a century, and for the permanent security of which an eight years' war had been waged, were not to be yielded up without a struggle.

After waiting impatiently for nearly three years, a committee of Congress reported (February fifteenth, 1786) that two states only, Delaware and North Carolina had agreed to the revenue scheme presented for their consideration, in all its parts; though in the case of the former, the plan was not to go into operation till the other states had made similar grants. Six states, New Hampshire, Massachusetts, Connecticut, New Jersey, Virginia and South Carolina, had passed laws complying with the impost part of the scheme, but not with the other portion. Pennsylvania had done as much, and made a show of doing more, but attached a proviso to the act. Rhode Isl-

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\* Stuart's Life of Jonathan Trumbull, Sen., p. 632.

† *Ibid.* 644.

and had passed a law, but it did not conform to any part of the plan recommended. Maryland, New York and Georgia had enacted nothing "in pursuance of the system of April, 1783." In this gloomy condition of affairs, Congress did its whole duty ; and once more earnestly commended the subject to the attention of the hesitating states, warning them "that the most fatal evils will inevitably flow from a breach of the public faith, pledged by solemn contract," &c. As there seemed little prospect of securing the adoption of the "supplementary" part of the scheme—that which pledged an internal revenue—they were willing to accept such state action as secured to the government the duties on imports. The Treasury was empty, and the calls upon it most pressing. The entire receipts from taxes between November first, 1781, and January first, 1786, amounted but to \$2,457,987, a sum insufficient to pay the interest on the public debt for a single year, to say nothing of the ordinary charges of the government. During the latter portion of the time, there had been received, on the average, only \$371,052 per annum, not enough to meet the current expenses.

At length, as it regarded the tax on imports, all the states had so far yielded to the importunity of Congress that the system would go into operation when New York should adopt it. Governed by petty jealousies, and an apprehension that her commercial advantages would be interfered with by the proposed tax, she stubbornly refused her consent. At last, however, she passed a law on the subject ; but it gave to the State "the sole power of levying and collecting" the duties. By another act, she ordered the emission of £200,000 in bills of credit, which were expressly declared to be receivable for import duties. Her legislation was, of course, not satisfactory. It did not comply with the recommendation of April, 1783. Under these discouraging circumstances, Congress by resolution, August eleventh, 1786, urged the executive of New York "immediately to convene the Legislature \* \* for the purpose of granting the system of impost," &c., so that the same might be carried "into immediate effect." Gov. Clinton, feeling "unhappy to be formally called on by Congress," replied that he had no power "to convene the Legislature before the time fixed



by law, except *on extraordinary occasions.*" He, therefore, with "the highest deference and respect," declined. On the receipt of his letter, Congress renewed its request in the words of the former resolution. At the next session of the Legislature of New York, in January, 1787, the question again came up for consideration. Hamilton, who was a member, advocated the measure with great ability; but, on the final vote, it was rejected by a decisive majority. This action gave the finishing blow to the Confederation.\* It had only life enough left, after naming its successor, to make arrangements for its funeral.

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## CHAPTER XIII.

### FIRST UNITED STATES COINAGE. CONNECTICUT COPPERS.

AFTER the war, the country suffered much from the circulation of base coin sent over from Europe, or manufactured at home. Congress had previously (February twenty-first, 1782) proposed to establish a mint. The Superintendent of Finance was to prepare a plan; but nothing was done for several years. July sixth, 1785, it was resolved "that the money unit of the United States be one dollar," and "that the several pieces shall increase in a decimal ratio." More than a year later, August eighth, 1786, the denomination, weight and fineness of the several coins of gold, silver and copper were established, in accordance with the previous regulations. An ordinance for a mint was passed October sixteenth following. And as "the great quantity of base copper coin daily imported into

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\* Life of Hamilton, II., 448, 2d edition.

or manufactured within the several states" was highly injurious, &c., it was ordained "that no foreign copper coin whatsoever should, after the first day of September, 1787, be current within the United States, and that no copper coin struck under the authority of a particular state should pass at a greater rate than one federal dollar for two pounds and one quarter, avoirdupois weight, of such copper coin," or at a higher rate by weight than the United States coin. The next year, April twenty-first, (1787,) the "Board of Treasury" was authorized to contract with James Jarvis for three hundred tons of copper coin, of the federal standard, to be manufactured at his own expense, he "to allow to the United States on the amount of the coin contracted for, not less than fifteen per cent." The devices on this coin, as fixed July sixth, 1787, were as follows: On one side "thirteen circles linked together, a small circle in the middle, with the words 'United States' round it, and in the centre, the words 'We are one;'"—on the other side, a dial with the hours expressed on the face of it, a meridian sun above, on one side of which is to be the word 'fugio,' and on the other, the year in figures, '1787;' below the dial, the words "Mind your business."

These copper "cents" were the first coins manufactured by authority of the United States, and the only ones previously to the date of the federal Constitution. They are supposed to have been struck at the "New Haven mint,"\* in a building which stood immediately upon the water's edge, nearly in front, or a little to the west, of the residence of the late Harvey Hoadley, in East Water street, about which, buried in the rubbish, the boys were wont to find coppers, some forty years ago.

In a memorial dated October eighteenth, 1785, Samuel Bishop, James Hillhouse and John Goodrich, of New Haven, and Joseph Hopkins of Waterbury, applied to the Legislature of Connecticut for liberty to establish a mint for coining copper coins or coppers. "There is [they alledged] a great and very prevalent scarcity of small coins in the State," in consequence of which "great inconveniences are severely felt," particularly "by the laboring class who are the stay and staff of any com-

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\* New Am. Cyclopaedia, Art. Coins, p. 441.

munity." Our late enemies and our fellow-citizens, they continued, are busy counterfeiting, &c.\* The petition was granted at the same session, and the persons named were authorized to make copper coins not exceeding, in value, £10,000, lawful money, each piece to be of the value of the British half penny, and to weigh six pennyweights. They were to have "a man's head on the one side, with a circumscription in the words or letters following, (viz.): AVCTORI: CONNECT: and on the other side, the emblem of liberty, with an olive branch in her hand, with the words and figures following, (viz.): INDE: ET LIB: 1785." The grant was to continue during the pleasure of the Assembly. Of the coins stamped, one twentieth part was to go to the State, and none was to be put in circulation till inspected and approved by a committee, of which Hon. Roger Sherman, James Wadsworth and David Austin, Esquires, and Messrs. Ebenezer Chittenden and Isaac Beers were the members. They were not to be a legal tender except *for change, and for any sum not exceeding three shillings*. At the same session, an act was passed forbidding any person, without the permission of the General Assembly, to manufacture copper coins. The penalty was one hundred pounds, one half to go to the informer.

In January, 1789, Daniel Holbrook and James Wadsworth, Esquires, were appointed a committee to inquire into the conduct of those authorized to manufacture coppers, and to ascertain whether the resolution of the Assembly as to the intrinsic value of the coins, and the proportion to be paid into the Treasury of the State, had been complied with. From their report, made in May, 1789, it appears that the original grantees, November twelfth, 1785, entered into an agreement with Pierpont Edwards, Jonathan Ingersoll, Abel Buell and Elias Shipman, and formed a company by the name of the "Company for Coining Coppers." The business was carried on until about June first, 1786, when the company, unable to procure more stock, was obliged to suspend operations. In September of the same year, a lease of privileges and apparatus was given, for six weeks, to

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\* See "Miscellaneous" papers in the State Library, Vol. III., Doc. 243.



Mark Leavenworth, Esq., (afterwards a proprietor,) Isaac Baldwin and William Leavenworth, all natives and the two last residents of Waterbury. There were frequent changes of ownership. At the date of the report, April ninth, 1789, James Jarvis (who had removed from New York to New Haven) owned nine parts in sixteen, James Hillhouse, Mark Leavenworth and Abel Buell, each two parts, and John Goodrich one part. Up to about June first, 1787, when the coinage ceased, there had been inspected by the committee during the three years the mint was in operation, 28,944 pounds [avoirdupois] of coined coppers. Reckoning eighteen pieces, each weighing one hundred and forty-four grains, as equal to one shilling, (the committee's estimate,) and the whole inspected coinage would amount to £3,908 : 6 : 8. Of this amount, the State should have received  $1,447\frac{3}{8}$  pounds by weight, which "amounts to £192 : 19 : 2." But there had been paid into the Treasury only  $1,386\frac{1}{8}$  pounds, which "amounts to £184 : 16 : 2," leaving a balance due the State of  $61\frac{2}{8}$  pounds, or "£8 : 3 : 0." (There is a small error in each of the quoted sums, made in converting weight into money.)

A large amount of work was accomplished at the New Haven mint in 1787. The coins were extensively circulated. Though the dies were often poorly executed, the blanks were of excellent material.\* The market seems to have been largely overstocked, and as the coppers did not contain metal enough to keep up their value as an article of commerce, a depreciation followed. As early as June, 1786, I find a merchant advertising to take them at twenty shillings the pound, or at par, payment to be made half in gold or silver, and half in goods "at lowest cash price." An aged gentleman of New Haven tells me that he remembers when they passed at four for a penny, then six for a penny. In December, 1790, the Assembly directed that the accumulated stock in the Treasury should be sold for liquidated notes, or securities of the State, provided two shillings per pound (forty-eight pieces and six tenths weighed one pound, nearly) could be obtained. The notes, &c., mentioned had not then probably recovered from their great depres-

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\* Dickeson's Numismatic Manual, 1859, p. 103, and onward.

sion. It may have been partly in consequence of the depreciation of coppers that the manufacture was stopped in 1787.

The committee of investigation appears to have found no sufficient cause of censure in the management of the mint ; and yet the Assembly, after the report had been made, in May, 1789, ordered that those interested in the company should be notified to appear and show cause, if any they had, why the powers granted them should not cease. To give them the opportunity, their privileges were extended from the twentieth of June, 1789, to the rising of the Assembly at the October session. The reason of this procedure is doubtless to be found in the fact that the new Constitution, taking from the states the authority to coin money, had gone into operation.

Abel Buell, the master spirit in this coinage, had, at the time of the committee's report, gone to Europe, ostensibly, it is said, to purchase copper for coining, but really to obtain a knowledge of the machinery used in manufacturing cloth. Before leaving, he had given (the committee say) his son Benjamin liberty to make coppers, which business the latter was then pursuing, having just begun to stamp the coins. Abel Buell was a mechanical genius. He was born in Killingworth, and was apprenticed to Ebenezer Chittenden, a gold and silver smith. At the age of nineteen, he was married. At twenty, he altered, very ingeniously, a five shilling bill of credit to one of five pounds. For this he was, after conviction in March, 1764, punished by branding on the forehead with the letter C., cutting off the right ear, imprisonment in the Norwich jail, (he was sentenced for life,) and confiscation of estate. In view, however, of his youth and other mitigating circumstances, he was soon released on bond,—he to live in and not to leave Killingworth. In October, 1765, he asked the Assembly for liberty "to trade and deal without penalty," and to go where he pleased. His petition was refused, but in October, 1766, it was renewed. He had, he said, discovered a method of grinding and polishing crystals and other stones of great value, "the growth" of this Colony. The petition was now granted on condition that a bond be given of £200 for good behavior.

In October, 1769, Buell again addressed the Legislature. He

stated that he had discovered the art of type-founding, and asked encouragement in the form of a lottery, or in some other way, that he might erect a foundry and prosecute the business. To prove the value of the discovery, and as a specimen of his abilities, his memorial was "impressed with the types of his own manufacture." The Assembly, in accordance with the report of a committee, voted to loan him £100 for seven years, he to "set up and pursue within one year the art of letter founding in this Colony." After twelve months, £100 more were to be loaned for seven years. Soon, (about 1770,) Mr. Buell removed to New Haven, and employed for his foundry the Sandemanian meeting house in Gregson street, and employed fifteen or twenty boys in making types. Not much came of the undertaking, however, and the business seems soon to have been abandoned. Soon after, he was engaged with Bernard Romans in constructing a map of North America, and visited Pensacola to make a survey of the coast. He was arrested for attempting to break the Governor's seal and to open a letter, but escaped. The map was engraved by Mr. Buell and Amos Doolittle, of New Haven, and published during the war. It is stated, erroneously, to have been the first map engraved and published in this country. In August, 1777, "said Buell having wholly failed to set up and practice the art [of type-founding], and since become insolvent and is absconded," &c., the Assembly voted to accept from Mrs. Aletta Buell, of New Haven, the wife of Abel, the one hundred pounds, "which she had procured with the utmost difficulty," and to discharge the £200 bond held by the State.\*

At length, Mr. Buell became connected with the company for coining coppers, as we have seen. He is reported to have invented machinery which turned out one hundred and twenty pieces per minute. He lived in a house on Chapel street, fronting the Green, the land being described in a mortgage deed to Henry Whitney, of Derby, dated August sixteenth,

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\* See State Archives, "Industry," Vol. II. What I have said concerning Mr. Buell's inventions, and also of his efforts to obtain his liberty, has been derived chiefly from this volume. Most of these documents, with others relating to "early American inventions," are printed in the Patent Office Report for 1850-51.



1784, as running back forty feet—"bounded north by the Green twenty feet, east by highway through the glebe land, west by land leased to Ebenezer Chittenden, south by land leased to the said grantor, which land was leased to the said grantor by Christ's church for ninety-nine years, renewable at pleasure, for eight pence half penny a foot for the forty foot, by the year."\* At a later period, there was "a shop or building adjoining the south end of the dwelling house," which, January twenty-first, 1789, Buell deeded to James Jarvis, of New Haven, to secure a note for one hundred and fifty pounds.†

When Mr. Buell returned from England to this country, he brought with him a Scotchman by the name of M'Intosh. They erected a cotton mill in Westville, (New Haven,) one of the first in this country. Afterward, Buell removed to Hartford, thence to Stockbridge, Massachusetts. Finally, about 1825, he returned to New Haven, and soon after died in the almshouse.‡

In 1785, a mint for coining coppers was established in Rupert, Vermont. In 1787, cents were made in Boston, Massachusetts.

I have hitherto had no convenient opportunity to refer to certain copper coins, of private manufacture, struck in Granby in this State, in 1737. They are known as "Higley's coppers," and are supposed to have been made (from a rude set of dies) by Dr. Samuel Higley, who, a few years before, had attempted to manufacture steel. The copper used was dug in Granby, and is of excellent quality, being much sought by jewelers for mixing with gold. The coins were circulated in Connecticut and New England, but have now nearly disappeared.

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\* Land Records, Vol. XLI., p. 160.

† *Ibid.*, Vol. XLIII., p. 349.

‡ Many of the facts contained in the preceding sketch of Buell's life—those relating to the places of his birth and death, his apprenticeship and marriage, his removals, his concern in the map of North America, and in the cotton mill at Westville, his visit to Pensacola, the place where he made types, and the number of coppers which his machine turned out—have been derived from Barber's Connecticut Historiæal Collections. (See Killingworth, p. 531.) Mr. Barber states that his information came from Mr. William Storer, watch maker, who died in New Haven a few years ago.

There is one in the cabinet of the Connecticut Historical Society, bearing the date of 1737, with "I am good copper," on one side; "Value me as you please," on the other.\*

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## CHAPTER XIV.

### THE CONSTITUTION AND PAPER MONEY. THE PUBLIC DEBT FUNDED: BANKS CHARTERED.

THE feebleness of the Confederation was very much due to its financial inability. Those who sought a change, desired a government which, by its own authority, could tax the people, and command the wealth of the country. Another object to be secured was protection from the evils of a paper currency. There was, at the time the Convention assembled in Philadelphia in May, 1787, "for the sole and express purpose of revising the Articles of Confederation," a general outcry against the recent legislation of Rhode Island (then called *Rogues' Island*) perpetuating the paper money nuisance. Reflecting the popular feeling, the wits of "The Anarchiad" satirized the State. When her government refused to appoint delegates, and stood aloof from the Convention for the avowed reason that she apprehended some interference with her right to issue bills of credit, the indignation felt was not diminished. In the "Constitution" which was finally (September seventeenth, 1787) adopted, the power "to coin money, emit bills of credit, make anything but gold and silver coin a tender in payment of debts," was wisely taken from the states. At the same time, the general government was authorized "to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures." In the first draft of the

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\* See Phelps' History of Simsbury, p. 118, and Prime's Coins, Medals and Seals, p. 72.

Constitution, the power was granted to emit bills of credit,—“to borrow money, and emit bills, on the credit of the United States”—but objections were made, and debate ensued. “Mr. Ellsworth thought this a favorable moment to shut and bar the door against paper money.” Mr. Madison was “satisfied that striking out the words would not disable the government from the use of public notes, as far as they could be safe and proper, and would only cut off the pretext for a *paper currency*, and particularly for making the bills a tender either for public or private debts.”\* In conclusion, the clause authorizing the emission of bills of credit was stricken out, nine states, to wit: New Hampshire, Massachusetts, Connecticut, Pennsylvania, Delaware, Virginia, North Carolina, South Carolina and Georgia, voting in favor, and two states, New Jersey and Maryland, against the motion. Thus to prevent the abuse of a power which a few members thought might be useful, in certain emergencies, the proposed grant was withheld altogether. In this manner, “the authority of Congress was confined to borrowing money on the credit of the United States, which [power] appears to have been intended to include the issuing of government notes not transferable as currency.”† The original proposition was not objected to on the ground that it might justify a tender law, for no one appears to have suspected that such a law could, under any circumstances, grow out of it. To a candid mind, it would seem clear that the framers of the Constitution *meant*, in the words of Ellsworth, “to shut and bar the door against [government] paper money,” and particularly, to prevent, in the language of Madison, “making the bills a tender either for public or private debts.” Until recently, it has been supposed—admitted—that the Constitution gave us the amplest security against the mighty evils which flow from a depreciated, legal tender currency. But the safeguards upon which we once relied have been swept away, and we are now repeating (in a financial sense) revolutionary history.

\* Madison Papers, III., p. 1346, note.

† See Curtis' History of the Constitution, II., pp. 330, 364.



In January, 1790, Hamilton, the first Secretary of the Treasury under the Constitution, presented to Congress his famous plan for funding and paying the public debt. It was by this time largely increased, principally from unpaid interest, and amounted to more than \$54,000,000. Provision was made for the whole by act of Congress, August fourth, 1790. By this act, the foreign debt was a preferred claim. It was to be paid in full, principal and interest, and a loan was authorized, not to exceed \$12,000,000, for that end. The "domestic debt," so called, consisting of loan office certificates, reduced to specie value in accordance with the scale of Congress, bills of credit at one hundred for one, and sundry other obligations, fared differently. Two-thirds of the principal of the debt thus made up was to bear six per cent. annual interest from and after the first day of January, 1791; the other third, six per cent. from and after the year 1800. The stock issued for arrears of interest was to draw three per cent. from January first, 1791. By the same act, state debts to the extent of \$21,500,000 were assumed and apportioned, Connecticut's allowance being \$1,600,000.\* Some states, however, were not able to present claims equal to their proportions, and the whole stock was not issued for the special purpose for which it was designed. But the amount was swelled by certain

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\* The following is the apportionment. See Laws of the United States; Act approved, Aug. 4, 1790.

New Hampshire, .....	\$300,000
Massachusetts, .....	4,000,000
Rhode Island, .....	200,000
Connecticut, .....	1,600,000
New York, .....	1,200,000
New Jersey, .....	800,000
Pennsylvania, .....	2,200,000
Delaware, .....	200,000
Maryland, .....	800,000
Virginia, .....	3,500,000
North Carolina, .....	4,000,000
South Carolina, .....	2,400,000
Georgia, .....	300,000
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	\$21,500,000

balances found due to some of the states on a final settlement of accounts between them and the United States.\* On the score of balances, or advances beyond her proportion, Connecticut had a credit of \$619,121. Of the stock issued for state debts and revolutionary balances, principal and interest,

\* A board of three commissioners was appointed to adjust these accounts on "the principles of general equity." They were to debit each state with all advances made by the United States, with interest to the last day of the year 1789; and to credit each for its disbursements and advances with interest to the same date. This done, they were to strike the balance due to each state, find the aggregate of the balances, and then apportion the same between the states, agreeably to that provision of the Constitution which relates to representation and direct taxes. "The difference between such apportionments and the respective balances shall be carried, [so said the law,] in a new account, to the debit or credit of the states respectively." Thus certain states became creditors of the government to the extent in all of \$3,517,584, and others debtors to an equal amount, as appears from the report of the commissioners made in 1793.

The following tables distinguish those states which had advanced more than their proportions for the support of the war, from those states which had paid less. It is derived from Pitkin's United States, II., 538.

## CREDITOR STATES.

New Hampshire, .....	\$75,055
Massachusetts, .....	1,248,801
Rhode Island, .....	299,611
Connecticut, .....	619,121
New Jersey, .....	49,030
South Carolina, .....	1,205,978
Georgia, .....	19,988
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	\$3,517,584

## DEBTOR STATES.

New York, .....	\$2,074,846
Pennsylvania, .....	76,709
Delaware, .....	612,428
Maryland, .....	151,640
Virginia, .....	100,879
North Carolina, .....	501,082
	<hr/>
	\$3,517,584

The balances found due to the United States, with the exception of a small amount (\$222,810) allowed to New York for expenditures on state fortifications were never paid! When, after several years' delay, a member of Congress proposed to seize the United States stocks held by New York, for payment, the state Legislature, then in session, ordered their immediate sale!

four-ninths were to bear an interest of six per cent. from the first day of January, 1792, three-ninths, of three per cent. from the same date, and two-ninths, of six per cent. from January first, 1800. According to a statement of the Secretary of the Treasury, Oliver Wolcott, Jr., December twenty-ninth, 1796, "the entire debt of the United States, on the first day of January, 1791, including the assumed debt and the balances due the creditor states, as the same has been settled and funded," exclusive of a balance of \$472,301 paid by the new government on account of the old, was as follows. (Continental bills are entered at one hundred for one, and the "new emissions" of the states at specie value :)

## Foreign debt, viz :

Due in France, inclusive of \$1,922,907 interest,...	\$8,190,532
Due in Holland, (interest paid,).....	3,863,000
Due to Spain, inclusive of \$76,371 interest,.....	250,582
Due to foreign officers, inclusive of 21,438 interest,...	209,426

Total Foreign debt, .....	\$12,513,341
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Domestic debt, .....	\$27,197,490
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Interest on do.,.....	13,030,168
	40,227,659

Unliquidated claims, including continental emissions, ....	2,127,514
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## Assumed debt, (state debts:)

Principal, .....	\$12,181,254
Interest,.....	6,090,561
	18,271,815

## State balances :

Principal,....	3,517,584
Interest, .....	703,517
	4,221,101

Total Foreign and Domestic debt, Jan first, 1791,...	*\$77,361,429
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In strictness, the \$472,301 paid by the new government on account of the old, ought to be added to this account, while the interest which accrued on the state balances for four

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\* See American State Papers, Finance, Vol. I., p. 483. The general footing of the foreign debt does not correspond with the items. The mistake (\$200) I have not corrected.



years after the date of the statement, at four cent. amounting to \$562,813, should be deducted. This done, the debt would stand, at the period named, at \$77,270,917.

Thus a debt which hung like a millstone around the neck of the Confederacy, as well as of the state governments, threatening anarchy or revolution, was finally disposed of. The foreign creditors were paid off, principal and interest, to the last farthing, by means of the loan of \$12,000,000 which the President was authorized to make. The domestic creditors were obliged to compromise their claims, making a large sacrifice. The obligations they held, already reduced to specie value, were again cut down some twenty-five or thirty per cent. by the diminished or delayed interest which the government promised. They received, however, a far better security than they parted with, and were, as they had reason to be, well satisfied with the settlement. Continental certificates which, before the funding system was proposed, were sold for twelve or fifteen cents on a dollar, when converted into United States stock became at once a staunch security. "Our credit," wrote Washington, in June, 1790, (nearly two months before the law funding the debt was passed,) "has got higher than that of any nation in Europe."\* A sinking fund was established, the public revenues were ample, and the debt, principal and interest, was all paid in due time. The six per cent interest-paying bonds were sold, February first, 1792, at twenty-seven and a half per cent. premium.

Connecticut was paid by the general government, on account of revolutionary expenditures, in the stocks which have been described, as follows :—

State debt assumed, principal and interest, . . . . .	\$1,600,000
State balance assumed, principal and interest, . . . . .	\$619,121
Add four per cent. annual interest for five years, commencing December 31st, 1789, according to act of Congress, . .	123,824    742,945
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	\$2,342,945

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\* Writings, X., p. 98. One reason of this relatively high price of American securities will be found in the fact that the governments of Europe were, at that time, more or less involved in the uncertainties connected with the French Revolution.

This sum was sufficient to extinguish the entire indebtedness of the State which, at the time it was assumed and funded, amounted, principal and interest, to a little more than £600,000, or say, \$2,002,260.08, leaving a balance in favor of the State of some \$340,685.\* But the amount thus provided for by the general government, it should be remembered, did not represent the entire war expenditures of Connecticut. Besides the heavy taxes which had been levied and paid during the contest, on account of the State, some £533,000 (\$1,777,000) of the principal of the debt had been discharged between 1783 and 1790. In addition to this, 500,000 acres of Western lands, valued at £151,606, were afterward (May, 1792) granted to persons living on and near the Sound, who had suffered from the hostile incursions of British troops.

That part of the United States stock which was issued on account of the "state balance" was placed to the credit of the State on the books of the general government. By law, it was not transferable. In October, 1794, the Assembly authorized the holders of the remaining outstanding debt of Connecticut to bring in their claims for settlement, to wit:—(1) notes of the Treasurer computing interest to January 1st, 1795, on those bearing interest, and reducing to specie value such as are liable to liquidation; (2) Imlay's certificates† acknowledged as evidences of debt by act of October, 1793, computing interest as aforesaid; (3) interest certificates; (4) "orders of the late committee of pay-table and of the several comptrollers of public accounts, subject to liquidation when unliquidated;" (5) bills of credit of 1780, with interest according to their tenor, and bills before 1780, at the rate of forty for one. The holders of these claims were to receive, in satisfaction of the same, United States stocks, whenever Congress should enable the State to make the necessary transfers, which were not to exceed \$430,-

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\* Perhaps this sum should be increased some \$8,094.31. See MSS. volumes of the Comptrollers' reports in the Comptroller's office; also, Am. State Papers, Finance, I., 483.

† Wm. Imlay was Commissioner of loans of the United States for this State. His certificates were issued for that part of the loan (called the "assumed debt") which was subscribed in excess of the \$1,600,000 assigned to the State.

000. The stock was soon made transferable, and, from time to time, the transfers were made. In October, 1798, a law was passed "that all state notes, interest certificates, pay-table orders, and bills of credit of this state," then outstanding, which should not, on or before the fourth day of the following March, be presented to the office of the Comptroller to be discharged by a transfer of stock, (or to be registered in said office, at the option of the holders,) should "be forever after barred and precluded from settlement and allowance," &c. In May, 1799, the time, thus limited, was extended to April first, 1800. In May, 1800, the Assembly resolved that the "holders of state notes, interest certificates, pay-table orders and bills of credit, which have been registered pursuant to the acts of October, 1798, and May, 1799, who shall present the same at the office of the Comptroller" at any time before the first day of April, 1801, shall "receive in specie for principal and interest at the rate of fourteen shillings on the pound;"\* but unliquidated notes were to be first liquidated, and the holders of the bills issued before 1780 were to receive at the rate of one shilling for forty. Inlay's certificates, not mentioned by name in the laws of 1798 and 1799, were put on the same footing as state notes. The privileges secured by this resolution were afterward extended, first to June fifth, 1803, and then to June fifth, 1805.

That part of United States stock not required to meet the state indebtedness remained to the credit of the State; but as the principal was being paid off from year to year; the Comptroller was authorized, in May, 1803, to subscribe the money thus received to the several banks of the State, they consenting thereto. Thus Connecticut became an owner of bank stocks which it still continues to hold. They amounted, in 1864, to \$406,000, of which \$165,000 were in the Hartford Bank,

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\* I presume it was the intention of the Legislature to pay to the state creditors, under the resolution, a sum which would be equivalent, in value, to United States stocks delivered within the time prescribed by the acts of October, 1798, and May, 1799. State notes, &c., it will be observed, carried interest at the rate of six per cent., while a portion of the stocks of the United States paid but three per cent.



\$122,000 in the Phoenix Bank, \$59,300 in the Middletown Bank, \$54,800 in the New Haven Bank, and \$4,900 in the Farmers and Mechanics Bank. But they did not all come from the moneys received for United States stock.

I have pointed out the manner in which the Connecticut war debt was finally paid. It was paid not in full, nor according to the original contract. It was first reduced in conformity with the scale of depreciation adopted in October, 1780, and the principles of supposed equity. The specie value of the money or goods or services received, not the nominal and stipulated money value, was the rule of settlement. Soldiers' wages were adjusted by the same rules. The depreciation of the bills in which their wages were paid was made up to them. The state debt thus "liquidated" and adjusted was discharged in the manner stated. It did not fare quite so well as the "domestic debt" of the United States. Five-ninths of the whole, it will be remembered, bore a reduced or deferred interest. The holders of state bills, however, were much better dealt by, first and last, than those who held continental money.

After the expiration of the statute of limitations, (June fifth, 1805,) petitions were frequently presented to the Legislature for the payment of small amounts of the still outstanding public debt, including bills of credit. The sums asked for were so small, and the expense incurred and time consumed so considerable, that the Assembly, at their May session, in 1811, resolved "that the holders of state notes, interest certificates, pay-table orders and bills of credit of this State, may present such evidences of debt at the Comptroller's office, and the Comptroller is hereby directed to register the same, and to draw on the Treasurer for the amount thereof, including the interest up to the period when the statute of limitations took effect, according to the provisions heretofore made for payment of registered debt," &c. Small sums were, from time to time, brought in, and were discharged under this resolution. The Comptroller, in his annual report, continued to make a statement of the nominal public debt till 1842, at which time it amounted to \$2,390.76. It had been thus reported for several years, though small amounts had been paid from time to time.

This sum embraced every description of indebtedness of revolutionary origin. The outstanding bills, issued before 1780, were estimated at \$1,235.70; those emitted in 1780, at \$45.87. The interest on the last named sum, which is computed down to 1805, is set down at \$26.27. Judging from the number of bills which are still met with in the hands of antiquarians and others, I conclude that the above estimates are too small. It will be remembered that the amount of bills in circulation (those of 1780) at the close of the war was never ascertained with any certainty. Perhaps the number still remaining in the hands of the people is much swelled by undetected counterfeits. Since the last statement by the Comptroller, some of the bills have been redeemed under the resolution of 1811, which, as I understand it, is still in force. £9: 10: 0 (\$31.67) in bills emitted before 1780, were registered in favor of C. A. Lay, Williamsburg, N. Y., February eighteenth, 1853. Soon after, (April twenty-eighth, 1853,) one bill of forty shillings, (\$6.67,) dated June first, 1775, was registered in the name of J. P. C. Mather, of New London, then Secretary of State. These amounts are understood to have been paid in full, without the authority of law; for the resolution of 1811 required that bills of credit, &c., should be redeemed "according to the provisions heretofore made for the payment of registered debt," &c. The law of 1794 declared that the bills emitted before 1780 should be discharged at the rate of forty for one; while the resolution of 1800 provided that the holders of state notes, interest certificates, pay-table orders, and bills of credit of 1780, should "receive in specie at the rate of fourteen shillings on the pound."

In an elaborate report dated December thirteenth, 1790, Hamilton set forth the advantages of a national bank, and proposed a plan. His project met with a vigorous opposition in the House of Representatives, but was finally adopted. An act to incorporate the Bank of the United States was approved February twenty-fifth, 1791. It was to have an allowed capital of \$10,000,000, in shares of \$400 each, payable, one-quarter in gold and silver, and three-quarters in six per cent. interest-paying stock of the United States. When \$400,000, in specie, had been paid in, it could go into operation. It might own,

in property of all kinds, inclusive of its capital, \$15,000,000, and might have an indebtedness, exclusive of its deposits, not exceeding \$10,000,000. The corporation was forbidden to loan to the United States more than \$100,000, or to any individual state more than \$50,000. Nor was it permitted to lend to any foreign prince or state. It was designed to be the fiscal agent of the government, and its bills were receivable for all public dues. Up to the time of the expiration of its charter, (March fourth, 1811,) and the winding up of its affairs, it was a well managed and prosperous institution.

About the period the United States Bank was incorporated and soon after, several state banks were authorized. At the May session of the Assembly of Connecticut, in 1792, the Hartford Bank was chartered with a capital of \$100,000, which might be increased to \$500,000, divided into shares of \$400 each. No more than three-fourths of the directors, exclusive of the president, were "eligible as directors the next succeeding year." The Bank could "not trade in anything except bills of exchange, gold or silver bullion, or in the sale of goods for money lent." Nor could its "bills or notes," which must be payable on demand, amount to more than fifty per cent. of its capital stock and deposits. The State reserved the right to subscribe, at any time within one year, for thirty shares. The charter was not limited as to time, nor was any restriction imposed as to the rate of interest. At the same session, the Union Bank of New London was incorporated with a capital of \$50,000, (which might be augmented to \$500,000,) to be divided into one hundred dollar shares. At the next session of the Legislature in October, the New Haven Bank, the third bank in the state, was chartered. Its capital was \$100,000, and its shares one hundred dollars each. In the matter of voting, there was, as in the case of the Hartford Bank and the Union Bank of New London, and of others chartered subsequently, a discrimination in favor of the small share-holders. In October, 1795, the Middletown Bank was incorporated, and in May, 1796, the Norwich Bank, each with a proviso that the act creating it might be altered or repealed at the pleasure of the Assembly. These were all the banks which were in existence in this State, at the close of the century.

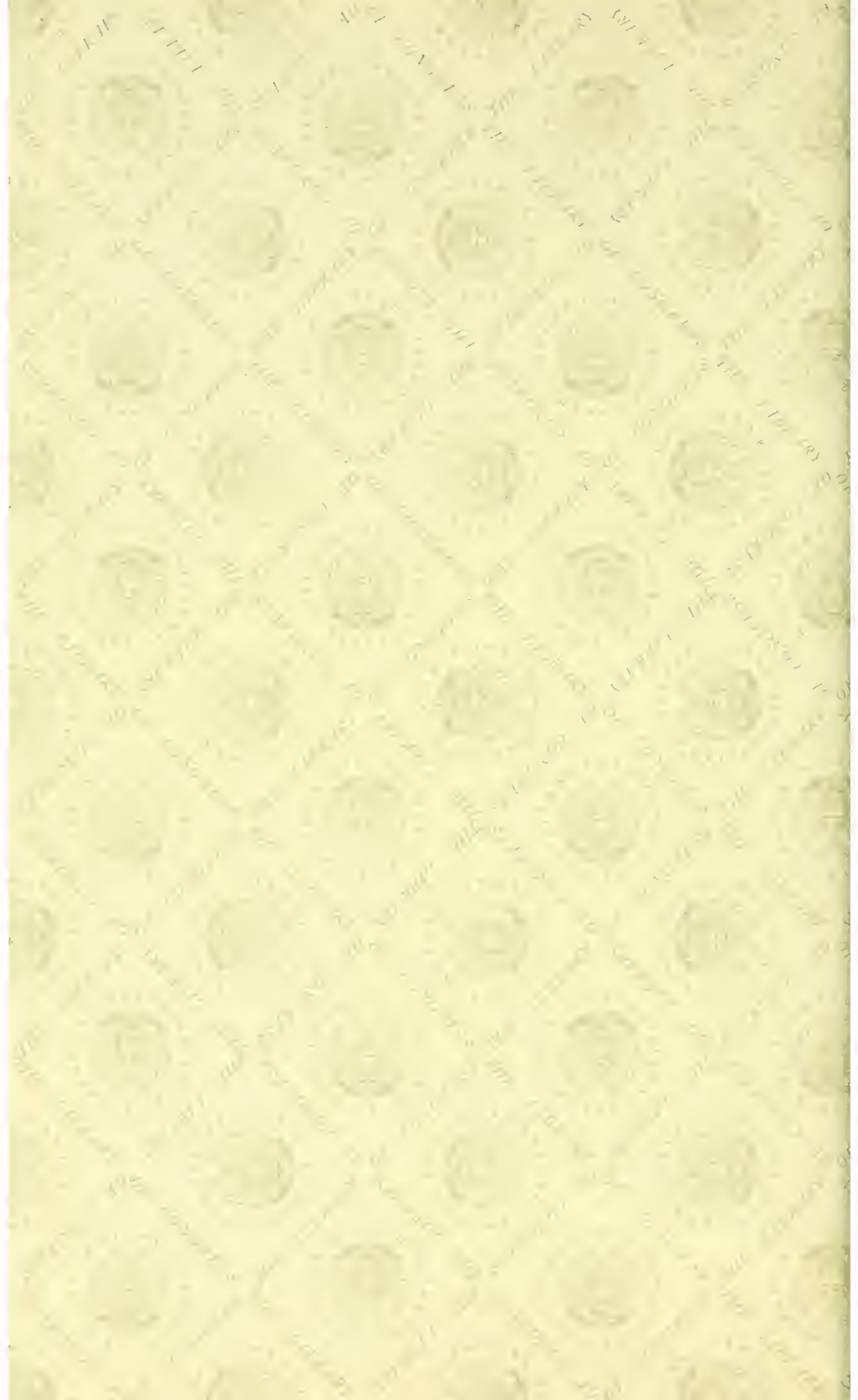


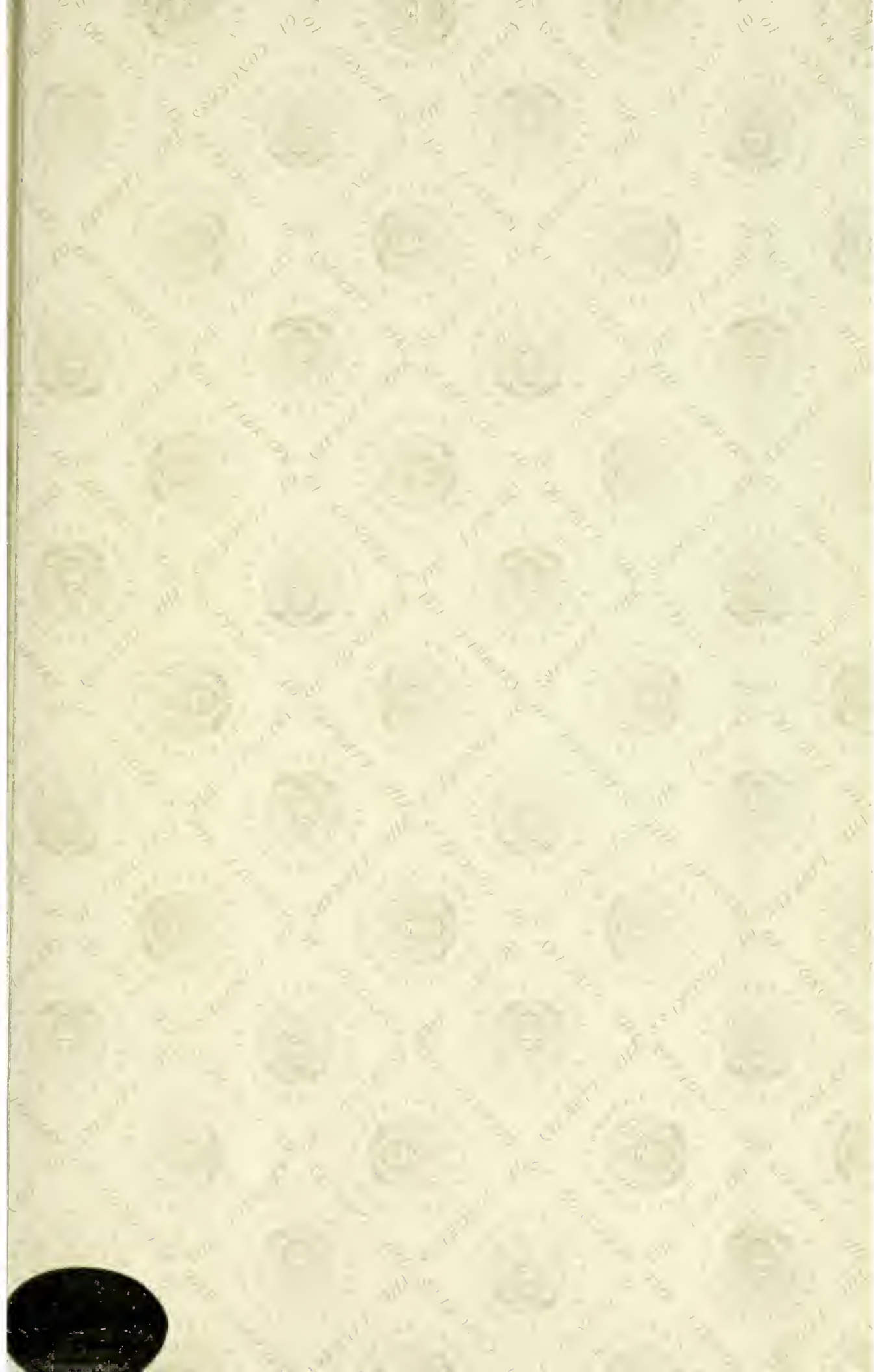






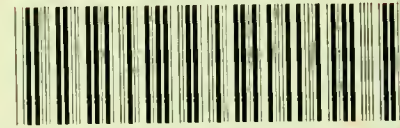








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